





THINGS AGENTS SHOULD KNOW.

A COMPILATION OF INFORMATION AND COUNSEL, ORIGINAL AND OTHERWISE, FOR THE ENTERTAINMENT AND INSTRUCTION OF LIFE INSURANCE AGENTS.

BY

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THE AGENT.

WHAT CONSTITUTES AN AGENT?

The best authority on this subject, so far as insurance agency is concerned, is a little book called *The Insurance Agent; His Rights, Duties and Liabilities*, by the late Judge John A. Finch. Judge Finch quotes as the best general definition of "agent" the following from the *American and English Encyclopædia of Law*:

"An agent is defined as a person duly authorized to act on behalf of another, or one whose unauthorized act has been duly ratified."

After considering what the statutory laws are in many States, Judge Finch closes with the following comprehensive and accurate definition of what constitutes an insurance agent:

"It may be stated broadly that, in the absence of a statute on the subject, any person who does any act for a company with its knowledge or consent, or who receives a compensation or commission from a company for acts done in connection with the making of the contract of insurance, or whose unauthorized acts in connection with the making of the contract are afterwards ratified by the company, will be held by the courts to be the agent of such company. In the absence of a statute, or a special appointment from the company, the above rule governs the question of agency."

One of the significant features in this definition is that under it every person who acts as a solicitor or broker becomes partly, at least, an agent of the company. Concerning this the same author makes the following statement:

“After the application is made through the broker, if the company sends the policy to the broker, and leaves the collection of the premium to him, the company thereby makes the broker its agent for the purpose of delivering the policy and collecting the premium, and will be bound by what he does in the premises to the same extent as if it had been done by a duly authorized and commissioned agent.”

This is further modified by the following:

“If the assured is solicited by the broker for insurance, and makes application through him, *not knowing that he is not authorized to act for the company*, and the company accepts the application and sends the policy to the broker for delivery and collection of premium, *the broker will be considered the agent of the company for the whole transaction.*”

There is an impression abroad that a broker not holding an agency appointment from a company may allow a rebate, even when agents are forbidden by law to do so. Very evidently, since the broker is the agent of a company for the purpose of the delivery of the policy and collection of the premium, for which acts only is he paid by the company, presumably, any rebate which he may allow is really a rebate made by an agent.

AN INSURANCE AGENT IS A SALESMAN.

In any case, it is undeniable that in insurance an unusual part in the selling is played by the personality of the agent.

Fire insurance which has become as stable in demand as sugar is a thing which, like kissing, actually goes by favor; that is, when rates are uniform. And if they are not uniform, the very cutting of rates is itself entrusted to agents.

Other forms of insurance which have not yet become so securely in demand or in which there is a diversity of plans offered, call for remarkable talent on the part of the agent in the matter of addressing his customers and inclining them to patronize him and his companies.

It is owing to this individual character of an agent's business that although the law says that a fire insurance company's business belongs to it, notwithstanding this, in actual practice, the business belongs to the agent who can generally hold the business for a new company against anybody that the old company may employ. This has been repeatedly demonstrated.

The agent's business is to get business, to sell insurance. It is a correct understanding of this fact which causes companies to overlook many irregularities of conduct in other matters, which in themselves make the managers feel that the company is misrepresented.

Much is forgiven the successful agent.

Who is the successful agent?

The agent being a salesman, the successful agent is the successful salesman.

You will find agents who have been forgiven all the other offenses in the calendar, but nowhere will you find the agent who has been forgiven for not selling insurance.

An agent may represent his principal in different capacities. Thus a fire insurance adjuster is very properly called "a special agent" sometimes; for what he does is done in the stead of the company which is his principal. His agency powers are confined and strictly limited to the "special" acts, to perform which he is employed.

But in insurance the agent, *par excellence*, and the only agent with which this series will ordinarily concern itself, is the man who sells insurance. He is primarily a salesman, just like a mercantile salesman, except that he sells indemnity contracts instead of commodities.

When that expression, "sell insurance," first began to be employed, which, by the way, was not many years ago, it sounded very peculiar in men's ears, merely because it was new; but it had merit and aptness of expression, and it has stuck.

Before that, men "took out" insurance instead of buying it. And agents "took applications," as indeed they continue to do when they get a chance, instead of selling insurance.

But the agent was, then as now, a salesman, charged with the duty of finding customers, selling them what

they need, or at least will buy, and collecting the purchase money for his principal. For this duty he was paid, and usually is still paid, a commission proportionate to the premiums collected, and any other method of compensation that has ever been proposed has either seemed unsuitable in comparison with this upon consideration or has been tried and actually found unsuitable.

Mercantile houses find it possible to save money sometimes, if not most of the time, by employing salesmen on salary. This is owing to two things; first, that the commodities are concrete and are largely bought by men who understand them through and through on their merits; and, second, that often the name of the house helps to sell.

No doubt the name of an insurance company often helps materially to sell its policies, perhaps quite as much as the name of an old-established business house. But the trouble is that, in most lines of insurance, all the companies, or nearly all, have that good name.

MAKING UP MEN'S MINDS FOR THEM.

Life insurance canvassing is peculiarly a business involving "making up men's minds." An agent is engaged at this arduous task for about two-thirds of his time.

Consequently the agent should be a student of the gentle art of persuasion. And the first lesson in that art is that it calls more for passiveness than for activity.

The agent must remember that the natural stage is inertia; momentum calls for propulsion. But this propulsion must come from within and not from without.

Therefore, the agent's wisest course is to study to create a desire for the thing which he has to sell. When the objections and the pleas for delay come to the surface, as they surely will as soon as the "prospect" is convinced that he wants the insurance, and no sooner usually, it is still better policy to avoid helping the "prospect" over his obstacles, but instead to increase by all legitimate means the attractiveness of what you are offering.

Then, be patient!

In ordering their expenditures, men are constantly exercising selection. At times they will even go without meals to buy a thing for which they feel a strong desire. The thing necessary is to stimulate the desire up to the

point that the "prospect" in his own mind chooses to risk privations of some other nature to remaining without this.

It will not be so difficult to do this as to answer categorically all the objections and pleas for delay that may be offered. Moreover, it will be more efficacious. To answer the objections is to leave the real difficulty untouched. The real difficulty is that the "prospect" does not yet so desire the insurance that in his selection of things upon the purchase of which he will lay out his funds, this is preferred.

It is manifestly a simpler matter to make one thing desired more than to make the many things with which he is comparing it desired less.

Singularly enough, most agents are too much afraid of becoming bores to their "prospects." There is a very real reason for fearing this if one remains when the "prospect" is not interested. But the man who is arguing for delay or opposing objections is interested, and there is no occasion for leaving while the agent continues to be capable of adding to the desirability of purchasing in the mind of the "prospect." In fact, to go is both against the agent's interest and the surest way to make him a bore to that man in the long run; for he will necessarily have to come back and pick up the matter again and again, perhaps at times when the "prospect" does not feel so favorable. To do this and remain for never so short a time is to be a bore; while to remain for never so

long a time when the man is interested is not to be a bore.

Meanwhile, as the objections and pleas for delay are piled up, deftly add fuel to the flames by increasing the desirability of purchasing. The very objections help you; for men incline most to want those things which are difficult for them to get.

THE GENERAL AGENT.

To paraphrase a somewhat grandiloquent stanza:

“Who is the general agent? Who is he:
Whom every canvasser would wish to be?”

The name “general agent” has ever an attractive sound in the ear of an insurance agent. It speaks of “things hoped for” and of things aspired to with laudable ambition.

Catering to this natural fondness for sounding titles, the life insurance companies have given the expression “general agent” a definition that is wholly out of harmony with its legal meaning.

A consequence of this is the inconsistency that many men are called general agents by their companies when by the legal definition they are not such and have no such powers; while, on the contrary, thousands who are not called general agents are such in the eyes of the law and have the powers of general agents.

The late John A. Finch, in that invaluable little treatise *The Insurance Agent; His Rights, Duties and Liabilities*, thus defines “general agent:” “A general agent has power to do, *in the making or continuing of contracts of insurance*, whatever the company, itself, at the home office might do; he is an agent with unlimited powers.”

By this definition, every recording agent in fire insurance or policy-writing agent, *i. e.*, agent who actually

issues policies, in any line of insurance, is a general agent; and, indeed, that is precisely what the courts have uniformly held.

Concerning this, Finch says: "The courts look not to what the company calls its agents, but rather to the powers with which he has been entrusted. Thus a great number of agents are termed general agents by the courts who are not so termed or considered by the company."

Not only, then, are many agents really general agents according to law who are not called so; but many who are called general agents are not such within the meaning of the legal definition of the word.

For instance, the average general agent in life insurance has no more power in the matter of making contracts of insurance than has the merest solicitor.

Moreover, there may be found men in fire insurance with the title "general agent," whose duties are confined to supervision and to adjustment of losses, and who are not, as a matter of fact, empowered to make contracts of insurance at all.

Every agent ought to clearly understand the distinction between what insurance men mean by the term when they use it and what the courts mean by it when they employ it.

TWO THINGS TO CONSIDER.

Most men when they enter the agency field in insurance do so without knowing much about any company, and still less about companies other than the one with which they connect themselves. One result of this is that they do not know whether other companies pay a larger or smaller commission than the company which employs them.

It is, therefore, nearly always with a shock and a sense of ill-treatment that an agent learns that another company is paying its agents a larger commission than he is receiving. Of course, this is not to be compared with the disappointment, when he learns, as agents sometimes do, that his own company is paying a higher commission to some agents for the same work which he is doing.

Naturally if an agent finds his own company doing better for another agent than for himself, he is not merely impressed that his company is not always just, but he is also justified in seeking to remedy this wrong by requesting as ample remuneration as has been accorded his fellows.

But when he merely learns that higher commissions are paid by another company, it is not sure that he is justified, either in attempting to force his own company to pay such a commission or in connecting himself with the other company for the sake of a higher commission.

For in selling insurance two things, at least, enter into

the question of what is most advantageous for the agent. There is the commission and there is the thing to be sold which will comprise all the elements that enter into the desirability of the policy offered.

Manifestly an agent should be paid a higher commission for selling a thing which is more difficult to sell. In fact, he must be paid a higher commission; otherwise he could not afford to sell it.

Moreover, the agent must take into account that, while some agents might make more money by working for the other company, he will have many things to learn and some to unlearn before he can hope to do as well with that company's policies as with those which he is accustomed to handle.

Therefore, the agent who learns that an agent of another company is receiving a higher commission than himself, needs to ponder whether there be not good reason for the payment of this higher commission in the greater difficulty of selling the policies of that company. He will usually find that for all phenomena there are sufficient causes, and that for the phenomenon of the higher commission there is the sufficient cause of a hard thing to sell.

LOCAL REPUTE OF A COMPANY.

The best company for the agent is the company for which he can sell insurance in his own locality with the least effort. Of course he should not be willing to represent such a company unless it is a good one, purveying reliable protection. But if it is, it is not necessarily the agent's duty to put forth the efforts of an educator to win the people from their preferences, even though he may think that he knows a company which will be better for them; especially if, as is usually the case, he is not going to be paid for this extra service by an increased commission.

No doubt if all the companies in the United States were submitted to a single expert of the most disinterested character, he would be able to select one or more, which, on account of certain excellencies, should be preferred to all others. His discrimination, however, would have to be very fine indeed, and the most delicate shades of distinction would need to be made. It would really be of no service to anybody. If it should result in the destruction of the companies which are not the best, it would also probably result in a distinct lowering of the standard in the best companies, because of the enormous increase of their business and the consequent pressure upon them.

It would be equally possible for an expert to select out the best wood-chopper in the United States, but it would

hardly be wise after having selected him to kill off all the inferior ones who, while they might not be the best, were at least able to perform the functions of their occupations satisfactorily in the main.

Owing to acquaintance with their officers or stockholders, or owing to the company's having done business in the community a long time and in a manner to please its patrons, it often happens that a certain company may be a favorite in a certain community. This is an advantage which the agent is entitled to. It sensibly diminishes the friction and facilitates his labors.

If, because the companies which are already favorites in the community are in other agencies, an agent is compelled to represent some other company, he should, if possible, select it with care, choosing that company which possesses elements that he could popularize in that neighborhood. For instance, if it offers something different from the policy of the companies already represented, the agent may make a point of this. The first settlements of losses by his company will have an importance to him which no subsequent adjustment will ever possess. Therefore he should take care to avoid selecting a company which would be likely to make unnecessary difficulties or delays in adjustments. It should be his aim to have a company which possesses all those excellencies that have made popular the company already represented there and which may, in addition, be able to offer some distinct advantage.

THE BEST COMPANY.

The successful general agent of a certain life insurance company has long printed on his envelopes, "It is the best company," following the name of the company.

He has been successful, and no doubt he attributes it to having early and late dinned into men's ears the old, old song that the company that he represents is the "best company."

His is an exaggeration of the usual case, which is bad enough. It is safe to say, too, that he probably succeeded in spite of and not because of this practice.

The enthusiasts are ever saying with emphasis that an agent must believe in his company without reservation, and must be confident that it is "the best."

Now every honest agent must, of course, believe that his company is honestly managed and that a man who insures in it will do a good thing. If he did not do this, he would not be an honest agent.

Suppose all the agents were seeking to represent the one "best company." Suppose also the "best company," serene in its consciousness that it was the best, should refuse to employ agents at all. Then should the agents go out of business?

It follows that they should, if an agent ought to represent none but the "best company;" and that, furthermore, he should devote his leisure time, *gratis*, to recom-

mending his friends to insure in the aforesaid "best company."

That would be ridiculous, but it would be no more ridiculous than it is now for an agent to continually pretend that the company that he represents is the best. For we often see an agent crying up one company because he now represents it and in a few months crying up another because he then represents that one, instead. There is no parallel to such a man except the case of a peripatetic huckster.

An agent should represent a good company and none other. That means a secure company; though, if a customer buys with the knowledge that it is not as secure as some others and buys because the insurance is offered cheaper, the agent may be excused for representing a company which turns out not to be secure. The best clothing is the best, but there is a much larger quantity of cheaper grades sold. So also with the insurance. All that is required of an honest agent is that what he sells should be sold for what it is.

Sometimes the "best company" is not the best for the agent to handle. This is clearly true if it pays no commission. It is quite as clearly true if it pays a so much smaller commission than all other companies, that in spite of the advantage in desirability the agent can make more money selling policies for the other company.

Thus the "best company" for the agent may not always be the best company for the insured, but it ought

always be a good company for the insured. Not much sympathy need be wasted on the man who gets 3 per cent. on an investment policy just because he fails to get 4 per cent. which might have been had in another company.

For instance, a company may be the best for the agent because it is the best liked in a certain neighborhood. Of course, there may be other companies better for the insured, but what is the use of insisting on a man buying something better than that with which he is satisfied?

The best company for the agent and the public at large may be the company which pays the best commission, for, being otherwise good, it will benefit more people. A small amount of industrial insurance, for instance, might be transacted at less expense than at present; but industrial insurance would never have reached the millions of persons it now serves if the commissions required to successfully prosecute that work had not been paid.

READ YOUR AGENCY CONTRACT.

Companies have sometimes printed in large letters on the front of their policies, when folded up, the words "Read your policy." These words are there, first, to protect the company when agents may have misrepresented; and, second, to protect the insured when they may not understand precisely what they have bought. With an honest agent who understands the policy he is selling, this warning need not be heeded; and, in fact, it seldom is heeded, such is the confidence of most persons who insure in the agent who insures them.

But the analogous warning might well be printed upon the reverse side of every agent's contract, where it would meet his eyes when the contract was folded up. Nothing is more common than for an agent to sign a contract and then put his copy in his pocket without reading more than the statement of the commission which is to be paid him. Often much of the contract is printed, and he naturally supposes that, being a printed form, it is something which the company insists upon in every case and, consequently, there would be no use disputing it.

Even if this were true, he should still read the contract in order to know precisely what is required of him, so that there may be no mistake or misunderstanding. Companies generally have several of these forms, ranging from a very complex one, with many conditions and much tautology, to a very short and simple one. These

forms are, very largely, for the accommodation of the general agents who may wish to employ one or the other of them. Not only is it true that companies generally have a number of these forms, but it is also true that they will sometimes, if it be insisted upon, cancel or modify many of the printed clauses. In fact, it will usually be found upon investigation that some of their most important contracts have been made in a different manner, being altogether written out and every word and line threshed out by the parties until it was certain there was no want of agreement.

An agent's contract is an exceedingly important thing to him. He should seek a contract whereby he can profit, which will secure to him the remuneration which he expects and desires. He cannot afford to treat it as if all the conditions, except a few figures, are merely super-numerary clauses of no especial significance. They would not have been printed if they had not been believed to be of importance. Therefore, every agent should carefully read his agency contract before he puts his name to it; and, if he has not done so, then he should read it as soon thereafter as possible and ask amendments or exceptions at the earliest moment, if desirable. Having read it and fully understood it, he should live up to it.

FIRE INSURANCE AND LIFE INSURANCE SOLICITING CONTRASTED.

Soliciting for fire insurance and, in fact, for most classes of insurance and soliciting for life insurance have two things in common, viz., that they are both soliciting and that the thing offered for sale is in both cases insurance.

The similarity ends at that point. The fact is that the agent who has been properly trained to carry on a fire insurance or a general insurance business has received a very unfortunate training if he afterwards adopts life insurance soliciting as a profession. *Vice versa*, the life insurance agent has received a training which does not fit him for other insurance business, although it may not so completely unfit him for it, because soliciting for fire insurance or other lines of insurance is a much simpler affair than life insurance soliciting, and much more like other branches of the salesman's art.

It may be argued in opposition to this that recently some of the leading fire insurance agents and brokers have taken up life insurance as a branch of their work. It will be discovered, however, that in practically every case some person who is especially conversant with life insurance soliciting has been given charge of that branch of the business. The intention is that he shall be given access to the patrons of the firm, so that if possible their patronage as to life insurance may also be secured.

There have been cases of successful combination agencies though, even where one man did all the soliciting; but in every case it will be found that this is because he has actually learned how to do both businesses and has not pursued the same methods in the one as in the other.

The fact is that the distinction in the method is vital and radical. In one case, viz., in soliciting for fire insurance and most other forms of insurance, the agent asks for the business as a personal favor, the insured and agent both knowing that as good companies and as satisfactory insurance in their way are to be had elsewhere. Possibly the agent may offer some inducement in the way of extension of credit, aid in adjustment of losses, especial attention to the patron's business or the like. But in any event it will be observed that these advantages are things which he personally affords. In fact, he so emphasizes his part in the matter that, as to fire insurance at least, men have come to insure with agents and not with companies as a general thing. In fact, they often do not even know the names of the companies in which they are insured, and seldom know their names before the policies are delivered. So far has this gone that they accept the word of the agent that the insurance attaches without even asking in what companies the agent has determined to place it.

In life insurance, on the other hand, while of course the agent usually seeks to be on such terms with his ac-

quaintances that they unconsciously prefer to do business with him, he must in presenting his plea avoid as far as possible even the remotest reference to himself. He should fix the attention of his "prospect" upon the thing which he desires to sell him. He should bring his company into all the prominence possible, displaying the features of its policies and the advantages which it offers, and he should keep himself in the background.

The reason for this is plain. Where all things are equal and where the customer does not think that there is any advantage in trading at one place over trading at another, he gives to his preference as to persons the determination with which he shall trade. But, on the other hand, whenever he thinks that there is an advantage to be gained, or that there may be, in trading at one place over trading at another, he is at once suspicious when any effort is put forth to attract his patronage on grounds other than the superiority of what is offered him. Indeed, he is then very likely to resent an attempt to obtain his patronage through personal favor. Most men consider that it would indeed be a favor to inflict financial loss upon one's self by taking a less desirable policy merely in order to patronize an acquaintance.

The agent, therefore, should keep firmly in mind this distinction. There is nothing that will pay him better than to always remember that it is what he is offering and not himself that will interest and attract customers.

• SUCCESS THE AGENT'S.

It cannot be too often said that an insurance agent is a salesman, and that his success as a salesman primarily rests with himself. To be sure it is an advantage to have a good company and favorable terms to offer, just as it is an advantage to other salesmen to have good and reliable wares to offer. But neither goods nor insurance will sell themselves; especially not insurance. And defects in a company or in the policies it offers may be offset with other advantages.

No better illustration of this could be offered than the history of the most successful agency in casualty insurance.

It had not been a successful agency until a certain young man took hold of it. In fact, although men who had succeeded elsewhere had tried to make it successful, they were unable to do so.

Moreover, the company, the name of which is now synonymous with strength and prosperity, was then neither strong nor prosperous. Most men considered it ill-starred and its plans and ambitions ill-advised, while over against it as an adversary stood the greatest and most successful casualty company in the world.

This young man had been representing in an important but subordinate capacity that larger and more successful company and had founded for himself a business which paid a good income. To change was more or less

perilous; certainly not all his business could be transferred. Possibly much of it could not; and if all could, the larger commission would be offset by the smaller premium on which it was computed.

The principal if not the sole reason for changing was the control of territory and the independence which the new position gave him. He had to expect a smaller income for some time to come.

With a company which had not yet secured universal confidence, with no more attractive policies to offer until he himself procured his company to adopt more liberal features, with the record of the failure of his predecessors in the field and the continual lack of prosperity of the company in its other fields ever before him, he fought straight through without flinching.

His proposition was that a good agent can sell what he has to sell, and that success, won without the company being able to claim all the credit, is worth more to an agent than any other success.

THE AGENT WHO DOES NOT AGREE WITH HIS COMPANY.

The agent who has views which are not in harmony with the views of its managers is sometimes a great nuisance; but if he is dignified and conducts himself properly, this ought not to be the case.

When he is a nuisance it is mainly because he does not know his place and keep it.

Every man who has brains enough to have a view has a right to have it; and, if occasion calls for it, he also has a right to express his opinion in an inoffensive manner.

A soliciting agent is not employed to dictate the policy to be adopted by his company. If he thinks that he is, he should stop and consider how many hours a day at that occupation would be required in order to afford him a livelihood, computed at the rates named in his commission contract.

When he gets a clear idea of what it is necessary for him to do in order to earn a commission, he will come pretty near knowing for what purpose he was employed.

Notwithstanding which, an agent has a lively interest in the sort of policies his company offers for sale; for nobody can know better than he, who is in constant touch with the public, what objections the public brings to the policies he offers.

Consequently, as has practically always been the case,

the agents of the companies are the originators of the new ideas which advance the cause of insurance. For this service they are rarely paid directly, and this follows from the nature of things, and is not to be complained about. It is enough if the idea is adopted, and certainly quite enough if the agent is given credit for originating it. Such is the certain fate of all volunteer service.

But suppose the idea is not adopted and the company persists in its old plans; that is, of course, the more common result. What is the agent to do, then?

Of course, he can resign and seek more congenial connections. But the agent who has progressed enough to have these new ideas is likely to find that no company exactly squares with them. Moreover, companies which more nearly harmonize with his views may have no suitable vacancies or may be otherwise unavailable.

If it is a matter of conscience, there is no alternative but to resign. But in most cases it is not.

If not, then the agent should preserve a dignified attitude of disapproval and bide his time. If this course be pursued, conceding the right of men to differ with him, and especially the right of the company's officers to dictate its policy, he will hold the respect and confidence of all.

Perhaps the most important question, however, is: How is he to deport himself in the field when the very objection is brought against the policy which he himself has brought.

This position is embarrassing if an agent has not clearly before him the duties of his employment. And there is every temptation to conceal his own view and indulge in sophistry. But that is neither honest nor wise.

One swallow does not make a summer, and no one virtue, aside from the certainty of protection, is preëminently valuable in a life insurance policy.

Frank concessions of a deficiency, accompanied with a statement that one would be glad if it was otherwise, will usually stop all argument about it, and will make it possible to turn attention to other things.

An agent who was strongly in favor of cash values, but who was, notwithstanding that fact, selling the policies of a company which did not offer liberal values, was asked once by an officer how he handled the matter in the field.

"When it is brought up," he replied, "I simply concede both that cash values are desirable, and that I favor them, believing that the returns to persisting policyholders would be nearly or quite as good. I then say that unfortunately the majority of the authorities are against me, and the company has not seen fit to trust my judgment instead of that of others who are supposed to be more competent. I say that, when they do come to that point, no doubt I will be president instead of an agent; at present I can only defer to their judgment, knowing that they are acting in the best interests, as they see them, of the insured who compose the company."

Then I talk of things in which I claim superiority for the policy which I wish to sell."

This course had won in the field, and it won in the home office to the extent at least of removing any suspicion of that agent's loyalty.

QUARREL NOT WITH THE CONDITIONS OF YOUR OCCUPATION.

There is an old saying that "no true artist quarrels with the conditions of his art." This saying has a very apt application to the occupation of soliciting insurance.

The idea is that the true artist, instead of quarreling with the conditions of his art which present difficulties for him to overcome and obstacles to surmount, sets out to excel by overcoming these difficulties and surmounting these obstacles. Precisely in his ability thus to excel does he pride himself; that is what constitutes him an artist. He realizes that, if no difficulties existed, then the veriest dullard could do as well as he.

In a very true sense, therefore, the difficulties imposed by the conditions of his art make the artist.

One of the commonest experiences of those who have to do with agents for insurance is to find them chafing at the conditions of their occupation. They consider that the difficulties are disheartening, and that they are entitled to complain of those conditions.

That they are not entitled to so complain is sufficiently demonstrated by the fact that it is futile to complain. No agent will succeed in paying household expenses for a very long period of time from the proceeds of commissions paid him for complaining.

What the agent is paid for is for surmounting these obstacles and triumphing over these conditions.

To achieve this triumph, it will not do for the agent to close his eyes to the difficulties. That would be as fatal as the other course. He should face them and appreciate them fairly. The point of difference is that he should not, however, face them with a sinking heart nor with the sense of approaching defeat.

The difficulties can be surmounted, for they have been surmounted. It is a very true proverb that "what man has done, man can do."

If an agent would be successful in his vocation, whether it was adopted of choice or necessity, he must, like the artist, refuse to quarrel with its conditions. The conditions are there. They will not change except as the agent changes them. The very thing upon which he must exercise his skill is to succeed in spite of these conditions.

BE LOYAL.

Everybody respects and admires a loyal person who is not easily shaken from his allegiance and who remains firm at his post. Nowhere is this truer than in insurance. An agent who for a large number of years has represented one company comes to have a hold upon the respect of all who know him which no person who has repeatedly changed companies can ordinarily possess. The mere fact that he continues is evidence that his services have been satisfactory to his company, and is also evidence that his company has been satisfactory to him. Both of these in themselves are good arguments why men should deal with him: (1), because he is evidently an honest and reliable man in the opinion of his company, and (2), because his company is evidently an honest and reliable company in his opinion. Rogues occasionally are able to get along harmoniously for a considerable time, but this is so infrequent that the mere fact that an agent remains with a good company for a long time is usually accepted as creditable to both of them.

It is hard to say too much in favor of loyalty. The agent who looks within himself for the cause of his ill-success, and who does not expect all perfections on the part of his company, is the wise agent. The agent who supposes that his ill-success is the fault of what he is selling commonly deceives himself, and he is an individual who is likely to be dissatisfied with any other connec-

tion. An agent will do well to set before himself the purpose of being loyal to his company. There should be moderation in his loyalty. Nothing is more painful than to find an agent immolating himself, as it were, and certainly nothing is surer not to be rewarded. Companies expect an agent to serve his own self-interest. The motive power of the salesman is his desire to earn a livelihood. When an agent from a mere sentiment of loyalty deliberately refuses to better his condition, the opportunity opened to him being an honorable one, he will not be considered a hero by his company, but a foolish man. Evidence of the truth of this can be found in the experiences of many persons throughout the country. Contrariwise, his former employers will not fail to respect him if, after doing his full duty by them, he leaves them for another employment because the emoluments are higher.

The thing is that this should never be lightly done, and very rarely indeed should it be done, not because the agent being satisfied with his former connection is led to change on account of a superior attraction offered him, but because he is actually dissatisfied with his former connection. Usually when an agent is actually dissatisfied it is the plain truth that the thing with which he should be dissatisfied is himself. A good agent should be able to make a livelihood working for any sound company, and he should certainly be loyal to that company until an opportunity presenting larger returns or better opportunities to himself offers itself.

GIVING CREDIT FOR PREMIUMS.

In one respect insurance companies place their agents in precisely the position of retail dealers, except that the agent does not need to purchase or pay for the goods before he sells them. The companies require the agent to give credits, if at all, on his own responsibility, and to pay to the company the net premium in cash. Departures from this rule are rare and only by special stipulations.

The giving of credit in insurance is, so far as the United States is concerned, almost universal. It is the exception instead of the rule that a fire insurance premium is paid on the day when the policy is issued and delivered. In many other lines of insurance this is also true. In life insurance alone is there any attempt to enforce the provisions of the policy to the effect that premiums must be paid on a certain day. Even this rule of the companies is, as a matter of fact, more honored in the average collecting agency by the breach than by the observance.

There can be little doubt that thousands of policies are renewed every year without complaining because the renewal receipt was on hand before the policy expired, and because no bill for the premium was presented until the renewal had already been in force for thirty days or more. Under such circumstances the insured feels under considerable obligation to accept the renewal and to pay the

premium, while, if approached before the expiration, and especially if payment had then been demanded, he might have obeyed an inclination to let the insurance expire or to go elsewhere for renewal.

The extension of credit in insurance in a similar informal manner really permeates all classes of insurance agents, whatever may nominally be the rules of the companies. There is, of course, danger in the agent's departing from those rules; and he is a very unwise man indeed who grants credits beyond his ability to make prompt settlements with his company. Within this limitation, however, a company is as little likely to quarrel with an agent for accommodating his customer as it is with any other means by which he popularizes himself and increases his business.

TO WHOM SHOULD CHECKS BE DRAWN?

The question frequently arises in soliciting insurance: To whom should checks be drawn? This question is not easy of solution. Most commonly, agents settle it by having the check drawn either to themselves individually or to themselves as agents.

In doing so, they follow as a precedent the practice in regard to notes when taken for insurance. Recognizing that they are to pay cash to the company, they naturally incline to have checks as well as notes drawn to themselves.

No doubt this is oftentimes an advantage where the customer may be by this means impressed with the responsibility of the agent as well as the reliability of the company; but it is very easy to overestimate this advantage. The fact is that, in general, the life insurance agent will do well to so conduct himself in every respect that the customer will not think of him at all in the transaction.

This is a very delicate matter. It may often happen that an applicant will hesitate to give a check drawn to the agent individually, when he would not for a moment hesitate to give one drawn to the company. Not every business man is familiar with the fact that payment to an authorized agent is payment to his company. Moreover, men do not really think about these things; they merely feel, and the man who feels indisposed to draw

such a check may in consequence withdraw from the matter entirely without assigning any reason. Frequently it takes very little to turn a man aside from closing.

Surely, nothing but a good effect can possibly be created by causing checks to be drawn directly in favor of the company. This is especially true when payment in advance is suggested. A man is not likely to insure in a company unless he has confidence enough to entrust it with his check when he signs the application. It may be a very different thing to ask him to have confidence enough in the agent to give him the check or money, for it has more than once happened that this has been embarrassing to all parties, the agent laying out his commission before notified that the risk is rejected and that the money must be returned.

To be sure, a company ought, in the interest of the insurance business in general, to promptly return the money, even though the agent cannot at once make it good; but companies do not always act thus promptly and for the good of the general business. They often consider that it is easier to force the agent to make it good now than later when it will be an old story. Moreover, the agent who has thus got himself into trouble is likely to conceal the facts from the company as long as possible, often going to the extreme of throwing himself upon the mercy of the applicant.

Of course, these things do not happen very often, but they do not need to happen often to have the effect of

dissuading many persons from giving checks payable to the agent before the policy is delivered. Besides most cautious men foresee that such things might happen, even though they have never known them to.

Agents should understand that the same prohibition which applies to the granting of credits on behalf of the company does not apply to taking checks payable to the company. Accepting a check is not granting credit. If a check is not paid, there has been no payment at all, and the policy or receipt is void. On the contrary, the mere acceptance of a note or granting credit constitutes a payment for the thing purchased, and, having once done this, the agent must look to the collection of the debt as due him personally, he becoming liable to the company the same as if cash had been collected.

On this account, notes should never be taken in favor of the company, unless by its authority. Moreover, no authority is given an agent, by the mere fact of being an agent, to indorse and discount notes in the name of the company. On the contrary, however, every agent in the absence of a special prohibition has a right to endorse and collect checks which are payable to the company and to forward the proceeds.

It follows, therefore, that the agent does not change the situation materially by taking checks payable to the company rather than to himself. He is in equally as good position for prompt collection as before. If the understanding is that he is to deduct his commission in any

settlement with the company, he may still deposit the checks, endorsing them with the name of the company by himself as agent and may then forward only the net amount due the company.

For a variety of reasons, however, except in large agencies, this old style of doing business is passing out and there is being substituted the plan of turning all settlements over to the company, and either waiting for a check for the commission or drawing upon the company for the same. By this the endorsement which is upon the check when it again reaches the drawer is that of the home office.

Where there are no instructions concerning to whom these checks should be drawn, the agent should follow what he believes to be the line of least resistance. If he is operating in the small territory where he is generally known and where his credit is unimpeachable, it may be to his advantage to emphasize his part in the business by having settlement run to him; but as to most agents there is little doubt that the contrary course is advisable. There is this to be urged for it in all cases, viz., that nobody is likely to hesitate to draw his check in favor of the company, while many may have hesitated to do so in favor of the agent, to the agent's disadvantage and without his ever having known what hurt him.

CERTIFIED CHECKS.

An insurance agent is glad, generally, to get an application and happier if he gets a check with it. He is not disposed to consider that the case is open after that. Of course every agent understands that the signer can notify his bank not to pay a check which he has given, and that recourse is entirely on the signer of the check and not on the bank. But that does not often happen.

Sometimes agents may take certified checks, either because they fear that the check may not be good, or because, for some reason, they expect to hold the check for some time and do not desire to take any risk about it. Sometimes, too, the insured or applicant offers to have the check certified, and it may happen that, after an uncertified check has been received, the agent will stop at the bank and have it certified, which is not an unreasonable thing to do, although it may offend.

When he has a certified check in his pocket, the agent is likely to feel very safe; and, indeed, he has good reason for that feeling. But it is possible that he may feel too safe, especially if he considers that the mere fact of certification will prevent the signer of the check from asking his bank not to pay it, if he comes to the conclusion that it was obtained by fraudulent misrepresentations.

The fact is that, while the courts have not agreed on the subject, it has been held generally that for a bank to

certify a check is merely for it to say that the money is there and will be held until the check is presented by some person duly entitled to collect the money. The whole question of whether the person has the right to collect the money is left open. The right is maintained, generally, before the check reaches the bank, through the confidence of the endorser each in the previous endorser; but if the signer of the check appears at the bank and gives evidence that it has been obtained through false representations the bank may refuse to pay it, which, in commercial practice, throws each endorser back on the endorser before him, until the person who gave the check has been reached.

It has been contended by some that certifying a check is the same thing as accepting a draft or signing a note, and that, when a certified check has passed into the hands of a third party, it becomes a negotiable paper in innocent hands and must be paid anyhow. There is much to uphold that view; but it has not been adopted always by the courts. A check and a note, or acceptance, are not quite analogous. One is a promise to pay and the other an order to pay, and the latter does not, even when certified, become a promise to pay. Therefore, the agent should not rest too securely on his confidence in the certainty of the payment of a check that has been certified.

DON'T MIX BANK ACCOUNTS.

Often in the instructions to agents by an insurance company there is a section warning the agent that he must not deposit the company's money to his personal credit. The purpose of this is to prevent his getting the company's funds mixed up in his individual bank account.

If an agent deposits money to the company's credit in a bank approved and selected by it, he will not be held responsible legally for its loss if the bank fails; in fact, it is doubtful whether he would be so held even though the company had not approved the selection if he had literally complied with its instructions to deposit the money to the company's credit. It would also be probably sufficient if he were to deposit the money in his own name as agent, especially if the funds of no other company were kept in the same account.

But to bring that about is not the purpose of companies in warning agents against depositing the money in their individual accounts. It is merely an incidental advantage to the agent. There would ordinarily be no especial objection to an agent's keeping the money in his individual account if it were not that the agent's account is likely to be a *discounting* as well as a checking account. That is to say, if he does an active business he may find it desirable to use his bank in order to carry the credits.

Now, of course, no company would desire to prevent

its agent from doing this, for the discounting manifestly tends to increase the company's business. No company, therefore, would desire to deprive the agent of the advantage which carrying a good balance in the bank gives him in negotiating discounts; but a company might very naturally object to *guaranteeing* the agent's discounts.

Still, that is the very thing that it does when its money is deposited to the credit of the agent's individual account, and when it is therefore subject to be drawn against to make good the agent's endorsement of paper which he may have discounted.

There are two reasons why a bank might desire a discounting customer to have a good balance. One is in order that it might have on hand in that customer's account a very large part of the money agreed to be advanced. This enables the bank to earn interest on money which is never out of its possession. The control of the company's money gives an agent this standing, and in the view of the banker is likely to entitle him to favors. This is true whether the money is to his individual credit or is deposited in another account, subject to his control.

The other purpose of bankers in desiring that the borrowing customer carry a large balance is that the bank may be able to at once recoup itself in part or whole for any discount which may not be collected when due. This, if the company's money is credited in a separate account, the bank will not be able to do out of the company's funds. The agent who runs any risk what-

ever of these trust funds being applied in such a manner is very unwise. There is even a possibility that, although he may not have intended it, he may be held to be guilty of malversation of funds.

There is but one safe way, and that is to keep separate bank accounts and see to it that they are not confused.

DON'T CONFUSE YOUR ACCOUNTS.

One of the lurking dangers which an agent must avoid is the confusion of his accounts. There are many things in his work that seem to constitute him a retail dealer in goods, sold to him on credit, instead of a mere agent. And therein lies peril.

The companies pretty generally refuse to give credit to the insured at all. If any credit is given, the agent must be responsible for it.

Moreover, pretty generally, as a matter of convenience the agent has a limited time within which he may report. Usually this report is not due oftener than once a month. In some cases on new business even two months or longer are allowed. When this is done, it is unquestionably with the idea that in that space of time the agent may be able to reduce his outstanding accounts to cash and thus to report in full.

But in this combination lies a peculiar peril for the enterprising agent, owing to the fact that before reports are due for certain business money may have been collected on other business which will not be due under the report system for some time to come.

Thus suppose a report is now due, including a good-sized policy, issued two months ago, but the premium for which remains unpaid. The company will allow no further time to the agent, who ought to take up the policy if possible, or enforce collection, or report uncollected, or

do some other act in the premises which will be all right in the eyes of the manager or company.

Make sure that it is all right.

The temptation is to take money that is lying in bank for a future report, money collected on policies which do not need to be reported now, and to apply it to pay this premium which the optimistic agent of course expects to come in before the money thus applied will be needed to cover the premium from which it was really derived.

Is this embezzlement if it does not succeed?

If it is, it is embezzlement whether it succeeds or not, the misappropriation consisting in the application of the money and not in the failure to replace it.

Perhaps it is technically not embezzlement; but it is a sad mistake at best, and a most dangerous proceeding, which has wrecked many a promising agent.

Pay your principal, the company, or its manager or general agent, the proper part of the premium out of the proceeds of that very premium, or else out of funds belonging to yourself which you are willing to advance for your customer.

CARE IN WRITING APPLICATIONS.

Nothing is more inexcusable in life insurance than carelessness in writing applications.

What would you think of an attorney who was employed to draw up an important contract, because it was supposed that he possessed special qualifications for so doing, and who, notwithstanding, drew it carelessly?

The agent who writes an application carelessly is guilty of the same thing. His failure to correctly transcribe the answers of the applicant will be fatal in many cases to the defense of his company against claims which ought not to be paid.

The disposition of the courts to make an application written by an agent of the company so far the company's act that it is to be construed strictly against the company was at one time so strong that so high an authority as Nathan Willey, the eminent actuary and author, recommended that the agent refuse in all cases to fill out the application. This disposition has been so much relaxed that at this time all agents fill out applications, and seldom is there any prejudice to the interest of the company arising therefrom, unless it is shown that the agent actually did not put down the answers of the applicant.

On his own account the agent has every reason to be careful in filling out an application, because his carelessness may cause delay in issuing the policy or even the rejection of the application.

On the policyholder's account there is as much reason to be careful. In most cases the application is made a warranty and the basis for the policy; in all other cases it is held to contain the representations made to secure the policy. It is a most serious matter if the carelessness of an agent causes an applicant to appear to make a misrepresentation when he has no such intention. This is especially serious when it is taken into account that the applicant, being dead when a claim is made, is not able to prove what he actually did reply to the questions.

IRREGULAR INCOMES OF AGENTS.

The most discouraging thing about some lines of insurance soliciting, as life insurance especially, is the irregularity of the income.

Of course, after some years, if an agent holds a renewal contract, this is overcome. But in the cases of only too many agents, as the experience of companies abundantly proves, as soon as this desirable situation is attained the agent relaxes as a solicitor.

In other words, it has been found that to spur an agent on to his best work there must be the need for the commission. Of course, it does not follow that a small assured income is a bad thing or that a guaranty need discourage an agent from steady and hard work. Possibly even a salary would work all right in many cases, provided always that its continuance depended upon the current production of the agent.

But an irregular income must ordinarily be the characteristic of the business under present conditions. And the expectation of winning a prize in the lottery must continue to be the chief incentive to persistent work.

The commission which an agent pockets is really a reward, not merely for the effort put forth by him to procure that application, but also for the work which has seemed to be so fruitless in the past. Like the company itself, he has to deal in averages, losing here and gaining there.

This is unavoidable.

What an agent can do to make it endurable is to carefully hold his expenditures down so that they will average below what his income is pretty certain to be. It is a good policy for him to stick to the system of cash purchases so far as it can be done, and when the larger commissions are harvested seek to husband his funds and to preserve a bank balance.

The trouble with many agents is that they are too sanguine. A single large commission sets them up amazingly. They immediately see other large commissions which are sure to fall into their hands at once. Their expenditures are increased, their scale of living is at once raised and the little store is soon exhausted. Then, under a permanently increased expense, the poor agent, disappointed and discouraged, takes up his drudgery again.

There is but one remedy, and that is: When your big commission comes in, resolutely hold down expenses.

This takes pluck.

There is generally the pressure of manifold acutely felt wants in one's family—wants which are now the more acute since some of them at least can at last be supplied.

But do it!

The scale of expenditure in a family should not be increased until it is certain that the average income is to be increased. If the large commission is anything but a windfall, if it means that the agent has struck a better

gait, then a few weeks' or months' delay will prove this, and cautiously and guardedly the scale of living may be increased.

More agents have been ruined by a single big commission than by any other single cause.

AVOID OBLIGATIONS.

The life insurance agent is engaged in a crusade wherein men's sense of responsibilities is mainly appealed to. It is his place to make men feel and fulfill their responsibilities, and not to shirk them.

If an agent were by nature disposed to shirk his own responsibilities, it would seem that his mission would in the long run make this impossible for him. Consequently, he ought to be unusually careful not to assume responsibilities which it would be impossible or awkward to fulfill.

This is a very important thing for the agent to weigh and consider. The exigencies of soliciting require that he should take advantage of everything that he may, legitimately, in order to bring his wares to men's attention in such a manner that they are tempted to buy. This means that he must often bring the personal influence of other people to bear upon them. He may thus very easily incur an obligation which he might not find it convenient or desirable to fulfill.

The mistake of young men is that they do not understand the significance of the old text: "It is more blessed to give than to receive." They are likely to be touched unduly by kindness and particularly by kind offers of assistance and coöperation which do not at the time cost anything. This is particularly true if things have been

going hard with a life insurance agent. It may appear to him that these offers of aid are really godsend.

But, in the first place, if the agent is to become a self-reliant man at all, he must get along with as little assistance from other persons as possible, excepting where he is in position to immediately repay them for their trouble. Despite all the objections which are brought against it, the direct payment of "helpers" by commission is better by far for the agent than to leave himself under a moral obligation to them. The debt which is paid may be forgotten. Both parties are, or ought to be, satisfied. But a debt of this sort, which is to be returned in kind, cannot be estimated exactly, but is very likely to cost dearly in after years.

Another mistake of young men is that they do not take into account the personality of those from whom they accept favors. In fact they are so likely to receive the advances with joy and thanksgiving that they never think at all of whether the person is one to whom they ought to put themselves under obligation. The fact is that before one accepts the favor at all, or even gives the opportunity for it to be offered, he ought to carefully consider that very matter. He ought to be chary about accepting favors anyhow, and far more particular about the persons from whom he does accept them than he need be concerning the persons whom he himself favors.

It has always been considered beneath a man's dignity to borrow money from his valet, or from his waiter,

or his bootblack. The reasons are obvious. The obligation, if there be any, should run the other way. It is not so easy to see that there are many other persons concerning whose social status there are no such invidious and artificial distinctions, from whom he ought to be equally unwilling to accept favors.

Take, for instance, the spendthrift who lives beyond his means. It will only be a matter of a short time before he will be living upon the charity of his friends and acquaintances. What could be more dangerous than for an agent who hopes to have a successful future to place himself under moral obligations to such a man?

Then there is just the contrary type of men, the grasping, farsighted, selfish, merciless individual, who is sure to collect a very large interest upon the obligation in the form of exacting much more in return than he has given. Since a moral obligation cannot be measured in money, it will often happen that one of those long-headed individuals will cleverly put an agent to great trouble for his benefit in return for a very small favor. A conscientious agent, whose sense of moral responsibilities is sharp, will find it a very delicate matter to refuse to submit to his exactions.

Moreover, think of the mere shame of being reminded some time that one has permitted himself to be put under obligation to a person who is plainly his inferior.

TWISTING AND REBATING.

DON'T TWIST POLICIES.

There are two reasons why an agent should not attempt to twist policies of insurance, that is, to induce a man to give up a policy which he already has and substitute another for it. One reason is that it is not honest, and the other reason is that it is, practically always, unprofitable to the agent.

It is usually not honest to do this because it is almost always not to the advantage of the insured to make the change. The agent, therefore, in such cases is not doing the customer a service, but an injury. No man should be willing to make a living by injuring his fellows, and if he does do so he cannot be considered an honest man.

Honest Sancho Panza said, "Honesty is the best policy," a maxim which has been often quoted. In no possible case is it more applicable than this.

Success is truly finding the line of least resistance and moving along it. Thus it is easy to pour water into an empty bowl, but rather difficult to put more water into a

bowl that is full and have it all stay there. Thus, too, water runs down hill, but has to be lifted up hill.

The agent who attempts to sell his policy by depreciating the policy of another company is undertaking two tasks for one commission, viz., to induce the customer to give up what he has, and induce him to buy something to take its place.

For the latter of these things only is the agent paid. If he succeeds in disturbing the old policy without substituting his own, which often happens, he will plainly see that he is doing a large amount of work that must be unrewarded.

To be sure he ought to be rewarded by a kick, and his ill-success serves him right. But that does not alter the fact that he does not get the reward which he expected.

Suppose, now, that he succeeds in placing his own policy, which will not happen nearly so often as that he will succeed in destroying the other policy; he then receives a commission which on the whole it would have been easier for him to have earned, either with this same customer or another, by devoting his whole energies to selling what he has to offer instead of devoting a large part of his time to destroying the customer's faith in what he has.

Agents should be students of that art which may be best characterized as "conservation of energy."

Take fifty or a hundred cases, so as to make an average. The agent will find that, in working these cases,

supposing all of them to be already insured, he will get more commissions for the time put in if he has pursued just the contrary course, namely, helped the insured to feel that they have done well, and then proceeded to build upon the foundation of their satisfaction a desire for more insurance on the plan which he offers. Thus the satisfaction of the insured with what he has becomes the foundation for a desire for something more and something better.

It will sometimes happen that in the course of this procedure the customer will become convinced that he ought to surrender the old and take more of the new. This the agent should mildly depreciate. If pressed for his advice upon the matter he should give it honestly, saying what he himself would do. Then, if the customer does change, as will sometimes happen, the agent need feel no sense of responsibility. The customer has of his own motion surrendered the old policy and the agent has merely sold the new.

ROWS ABOUT TWISTING.

In the seventies, when life insurance companies in the United States were passing through the crucible, all sorts of things were done which nowadays are denounced, at least, if not avoided entirely. The trouble was that more than half the life insurance companies of the country were in a failing condition, and their only hope often was to diminish their liabilities by twisting policies from one form to another or to escape the liabilities in whole, or in part, by making an arrangement with another company to furnish it a list of the policyholders, so that it could do the twisting.

The four or five companies that were swallowed up in the Universal reached an apparent state of solvency in that manner. They had some kind of an understanding as to reinsurance with that company, without the privity and participation in the contract, however, of the policyholders; but the real work was to twist the policies into the Universal directly.

But it was mainly in the matter of twisting policies within the company that the period was peculiar. Previous to that time the most popular plan had been the "loan note" plan, providing for taking the note of the applicant for from 30 per cent. to 50 per cent. of the premium—depending upon the company and plan—each year, it having been pretended that the dividends would take care of the notes with interest. Of course, that was

precisely what the dividends did not do; and, consequently, there was an accumulation of indebtedness, coupled with increasing cost, counting the interest on the notes. That meant increasing cost and decreasing insurance—a double discouragement to continuance.

Some of the companies tried to get rid of the policies, or as many of them as possible, by twisting them over into other plans. The fairy tales about the old plan had prepared the insured to believe that their reserves were diminished little, if at all, by the notes. The new fairy tales about the substituted policies were reassuring also; but now and then a policyholder would awaken to the fact that he got little or nothing for his old policy, or that the new one was not as represented, and then there was music.

The howl about twisting was so loud that the legislature probed some companies on account of their conduct in the matter. For instance, early in 1879 a New York company was put under investigation by the assembly, the principal charge being that it had twisted a policy allowing only a first premium of \$395.80 on a new policy as a surrender value of policies, with reserves of \$1,186.65. The subject went to the courts, the insured thinking that he had been swindled. The company showed that there were notes for \$804.09, including interest, outstanding against the policies, leaving only \$382.56, or \$13.24 less than was allowed.

The company in its report to the legislature disavowed

"twisting," saying: "No such system, technically or otherwise, known as 'twisting' has been adopted or practiced by said company since its organization in 1850 up to the present date." The statement suffered somewhat because of this further defence: "The policyholder received the full equivalent for his former policy, and the company received the lawful, regular and usual equivalent for the new policy and no more. *Such changes of policies have been in approved use for nearly a hundred years.*" The italics are the company's.

TWISTING BY WHOLESALE IN THE OLD DAYS.

One of the most successful New York city agents, who, although he looks about thirty-five, is really nearer fifty-five, and who began the business when he was very young, and so has had a deal of experience, tells a number of stories *apropos* of twisting in the old days.

If twisting from one regular company to another can be successfully attempted in these last years of the nineteenth century, when practically all regular companies are above suspicion as to financial solvency, it may be imagined what glorious opportunities there were for the practice of this art in the '70's, when so many of the regular companies were failing and when the reputation of not even the strongest of them was unassailable.

The agent in question tells of a visit to a country town in New York on behalf of a company which stood very high then and stands equally high now in insurance circles. He was sent there because the agent of the company at that point had failed to deliver a policy for which he had taken an application, the failure being occasioned by the intervention of the agent of another company. Of course the young special went there for the purpose of making a fight, and he proceeded to do so.

It so happened that the other company was just going through a housecleaning during which there developed several unpleasant financial scandals. The agent made

good use of this, succeeded in delivering his policy, and in fact in increasing the amount, and got a settlement for it all.

He then by a ruse procured a list of the insured in the rival company and learned all that he could about them. Then he went back to the city and obtained a sufficient number of copies of a leading paper, which had published the details of the recent scandal. One copy he caused to be mailed to each of the patrons of the other company.

Then he went, post haste, back to the country town and began his work. The failures which had taken place in life insurance had caused the people to be easily panic-stricken in that regard. Fortunately, there was nothing against his company at that moment before the public; consequently he was able to override the arguments of his adversaries and he succeeded in taking every policy away from the rival company, most of the insured not even waiting until their policies in the other company expired.

This was all done in a few days. Of course the rival company put in a complaint at the home office of his company. Its complaint was received with every courtesy and a promise was given to notify the special to desist, which notice was prepared and sent out, a copy no doubt being furnished the other company; but that copy of course failed to contain a few words written after it was made, alongside the president's signature. The words read: "Get all the business you can."

It would appear from this that companies were not so sincere in their efforts to put down twisting in those days as they doubtless are nowadays.

CARRY A COPY WITH YOU.

Just before the expiration of his term of office, President Thomas H. Bowles, of the National Life Underwriters' Association, sent out a pamphlet, entitled "Twisting." In this pamphlet were many excellent arguments why agents should desist from the practice, which is, whatever may be said for it, certainly in all cases a thing which embitters competition between agents and between companies.

The pamphlet contained also a number of letters from officers of companies denouncing the practice and pledging their support to efforts to repress it. Most of these letters give reasons for the faith which was in the officers, setting forth in plain language why the practice was not to be commended.

Every well-intentioned agent ought, as a matter of self-protection, to carry one of these documents with him or to have it at hand when needed. It has been found that not only are the arguments valuable to offset an attack on a policy which has been placed; but also that the opinions of the officers come in handy as arguments *ad personam*.

An instance of this is reported from Cincinnati, where an agent of a certain company undertook to twist a policyholder out of another company, defending his behavior on the ground that it would be to the financial benefit of the policyholder to make a change. The con-

sternation of this agent and his complete defeat may be imagined when he was confronted by the opinion of one of the chief officers of his own company that the practice was demoralizing and that no advantage that could be offered by another company could ordinarily offset the loss because of surrendering a policy on which premiums had been paid.

IS TAKING A NOTE WITHOUT INTEREST REBATING.

The question has sometimes arisen whether an agent by giving credit to the insured and charging no interest on the money advanced for the same is not in fact rebating.

Probably the correct answer is twofold. Morally he may be; legally he is not.

Morally there can be no doubt that the agent is offering this man a valuable advantage over patrons who pay their premiums in cash. Certainly in all cases where this advantage is offered for the purpose of permitting the insured to gain the interest, the transaction is really a discrimination. It may, in fact, in this sense be a rebate to take a note with interest if the interest is smaller than would ordinarily be charged.

But there are many exceptions to this sweeping rule, for in very many cases the accommodation of credit is given the insured without thought of the interest, but merely because the insured cannot pay the premium at once conveniently. This sort of credit is that which a merchant gives his customers. It is the almost invariable rule of retail trade that interest ought not to be charged on such credits. Where, therefore, the credit is given as a matter of accommodation and the interest is not considered by either party, it would appear that rebating had not been practiced.

Legally there is very little likelihood that a charge of rebating could lie. The anti-discrimination laws require that an agent shall collect the full premium. They do not require that the agent shall collect more than the full premium, whether in the form of interest or otherwise. Collecting interest, and what amount of interest, if any, is to be collected, are matters for agreement between the parties.

CANVASSING MATERIAL.

INTRODUCTIONS—FROM WHOM AND HOW?

It is, of course, less embarrassing to meet a man through an introduction than to be compelled to approach him without one; though the importance of an introduction may easily be exaggerated in business matters since men are so much accustomed to do business with anybody with whom it is profitable to deal.

If no stress be placed upon the fact that one is introduced, and if the introduction come about in a perfectly informal manner and be not apparently for the purpose of soliciting business, it is utterly indifferent who does the introducing, except to the degree that the influence of the social standing of the introducer may be expected to impress the person whom the agent thus meets.

Thus, for instance, if an agent, pretending to be nobody in particular, should be introduced to Mr. Jones by his butler and should be recognized repeatedly by Mr. Jones in a kindly manner, he might find that his ac-

quaintance with Jones would one day enable him to approach him on the business of insurance.

But to have the butler introduce you for the purpose of approaching him on insurance would be ridiculous. The trouble is that such introductions inevitably carry with them the idea that the person introducing has acquired a wisdom which the person addressed has not. Introductions of this sort to be effective must, therefore, come from men whose qualifications to judge of insurance matters are acknowledged to be superior by the persons addressed.

Even then one must be careful. Men resent the tone of superiority. It is on that account that it is nearly always well to preface a formal introduction, especially if in writing, with the remark: "I asked Mr. Smith to introduce me."

This helps to remove the possibility of irritation and still leaves you recommended by Smith.

In a *viva voce* introduction, the least said the better. An informal "Mr. Jones, I want you to know Mr. Robinson" is a thousand times better than any long lingo, however complimentary to Robinson and his company. Robinson should be prepared to do the talking.

If this is true of *viva voce* introductions which the agent cannot control, it is still more clearly true of written introductions, the form of which he generally can modify.

The best introduction is the least formal introduction.

This may be set down as the rule to which there are but few exceptions. The business man who writes on his card "Introducing Mr. Robinson" and then writes the name of the person to whom Robinson is to be introduced, has given all the pledge that Robinson and his company are all right that he could give in a small book. Presumably he would not have introduced him at all if he did not consider them both all right.

The beauty of this simple form of introduction lies in the fact that it may be made use of as the agent may in his discretion see fit. It may become a forgotten and unimportant incident, or if it is apparent that what the introducer thinks greatly influences the "prospect" all necessary emphasis may be put upon it.

It is the best of all because itself the most neutral.

USE OF REFERENCES.

There was a dignity about the old system of soliciting insurance which is sometimes lacking nowadays. Thus, for instance, it was held out to the person addressed that it was quite a serious matter whether the company would accept him or not. He must undergo a severe medical examination, and he must, among other things, give good references.

The former had its terrors. Although the examination now is much stricter than in the old days, its rigor should not be especially dwelt upon; indeed, it should be treated as a slight thing requiring but a short time and almost certain to prove satisfactory. There were disadvantages, no doubt, in the old system which frightened a man before he was in the presence of the examiner.

The idea that he must give references was not a bad one. It created an impression that if he were accepted he would be classed as a select person. Nowadays, of course, companies look men up more thoroughly than they did formerly, and instead of asking for references, they make private inquiries through commercial agencies or obtain reports from special confidential representatives or from other sources.

There is, however, one advantage lost by no longer requiring the name of an "intimate friend." The old system enabled the agent to go directly to this intimate friend with a good excuse for calling on him, and natu-

rally the subject of life insurance was brought up in the most favorable manner. Such an introduction was valuable, because the procurement of many applications is directly traceable thereto.

Although the old system has been done away with, the agent can, if he handles the matter rightly, make good use of the persons whom he insures, by securing the privilege of using their names for references, both for himself and his company. He will not have the same excuse for calling upon the friends of applicants and the matter will not come up in an indirect manner, but, on the other hand, the agent has the advantage of knowing that no man will grant an interview unless he really wishes to talk insurance

Persons he has insured, and who are satisfied with the insurance he has sold them, are the best references an agent can have.

USING THE NAMES OF PATRONS.

The names of persons who carry insurance in a company, and especially of persons who have insured with the agent presenting the list, may be used to advantage if done with delicacy.

In everything of this sort which is intended to influence the prospect by stating to him what other persons have done, it must be remembered that nobody likes to stand in the position of doing a thing just because others have done it before him. We are all following the bellwether, but none of us like to confess it, even to ourselves.

It is grossly offensive to most men to have the fact that somebody else has done a thing quoted to them as an actual reason that they should do likewise. The hook must be well concealed by tempting bait.

Therefore, it is well for one to introduce the names, if possible, in an incidental manner, and not as if he expected the "prospect" approached to follow the examples of the persons named and purchase because they did.

Thus, suppose a clever agent during the conversation in calling attention to some particular feature were to say that Mr. So and So said that he took the policy largely on account of that feature, or should state concerning another patron that he was influenced to insure because of this or that argument. In such cases it will, generally,

be found that the "prospect" of his own motion inquires concerning these persons, if he has any special confidence in their judgment, and that he is influenced far more by one or two such instances than he might be by a long list of names.

The exhibition of the list is always a delicate matter. There is seldom a way in which it can be presented without appearing to be definitely for the purpose of influencing the "prospect." One of the principal advantages of the now generally discarded "local board plan" was that the list was shown quite as an incident, it being a thing which the applicant would, of course, sign if he went in. Thus he could look at the names without their being thrust under his nose offensively.

The agent should study ways of presenting the names of his patrons or the names of men who are insured in his company. It will be greatly to his advantage if he can memorize and quote something which these men have said about the company or as to what influenced them to insure. Such verbal quotations will be found, ordinarily, to be better even than signed letters of commendation, and certainly far better than a mere printed or copied list of names.

“OVER THEIR OWN SIGNATURES.”

Under this exceedingly clever title one of the large life insurance companies has for several years been accustomed to publish in convenient and compact form letters concerning the company and its policies from various prominent and influential men in different parts of the country.

Originally these letters were distributed in separate sheets and frequently they were published in fac-simile. Later the idea of a volume was adopted and the fac-simile was dropped, with the exception that letterheads and signatures were still retained.

The volume has been found by far the most useful canvassing document the agents of the company in question have ever possessed. It is also a style of canvassing literature which every good company can employ.

One advantage of its volume form is that it is something which an agent shows, and not something which he leaves; and that leads up to a thing which it is desired to talk about in this connection.

The manner of using such material is important. If it were thrust upon the “prospect’s” attention without preliminaries, there would be a possibility, if not a probability, of offense; since to do so would be to convey the idea that the person addressed ought to be directly influenced by the persons writing.

The clever and adroit agent will take no such risk.

He will familiarize himself with the most apt expressions of those whose letters are in the book; and he will in his own argument quote from them verbally, referring to the book, not for the quotation originally, but to verify its accuracy.

Thus the "prospect" is led to look at the book without feeling that an effort is being made to influence him to insure or to surrender his right of private judgment because these persons, being presumably better informed, have already judged.

When such a book has been introduced in this manner it is often surprising and amusing to see with what avidity the unsuspecting "prospect" will examine the various letters and permit himself to be willingly though unconsciously influenced by them. Of course, the agent may properly, if deftly and with great caution, direct the interested "prospect" in his examination of the letters; but there is reason for great care to avoid destroying the altogether favorable impression already created.

Remember always that men are to be persuaded, and not driven.

HAVE YOUR APPLICATION READY.

The air of an agent should be that of a man who is ready to do business.

Of course timid men are sometimes frightened away, and over-sensitive men are sometimes offended by too prompt presentation of an application.

Where an application is a large sheet, imposing if not alarming in appearance, it sometimes happens that an agent cannot produce it until a man has definitely stated that he will take the insurance without appearing to be forcing matters.

But in these days most of the applications are small. The fact is coming to be understood that the smaller they are the better. The agent may, therefore, have no hesitation about getting the same out where they can be seen; in fact, it is safe to say that the application should appear synchronously with the proposition for the insurance.

Let there be no mistake about it that the agent is ready, quite ready, altogether ready to proceed with the business.

This is not eagerness. Eagerness must be avoided. This should be so managed that it merely indicates that one is prepared. Then it impresses men that it is business, simply business; as, in fact, being precisely what they would desire their own salesmen to do.

When men are undecided, it means that they are

tempted to act. The temptation is stronger, if in concrete form. The possibility of acting is then constantly before them.

Therein lies the advantage in having the application ready.

THE BINDING RECEIPT.

The man who considers that a thing is done, is far less likely to repudiate it than the man who considers that the transaction is not complete. Therefore the binding receipt.

Moreover, it is the right thing. If a man applies for insurance in good faith, is acceptable to the company and a policy is or would be issued, it is a thing which will not be forgiven a life insurance company in any community if it refuses to pay because he dies before the policy is delivered.

But if no binding receipt is given, the company will be likely to date the policy on the day of issue and under its instructions the agent is not to deliver it except during the lifetime and good health of the applicant.

Consequently, for the interest of all parties, an agent ought to make free use of the binding receipt.

This may be done by producing it as soon as the application is signed and explaining the case. If the applicant cannot or will not pay cash on the spot, exchange the binding receipt for his note if he is responsible, or even leave it without taking more than a mere memorandum that he owes you the money and will pay it when you deliver the policy.

Even in cases where there remains the least bit of uncertainty about his taking the policy and paying for it, it is sometimes wise to issue a binding receipt anyhow;

the customer appreciates it and feels under the greater obligation to accept the policy.

But before making these uses of the receipt, an agent should make sure that upon the return of the receipt and policy the company will release him from liability. Generally a company will do so, the privilege not being abused, for companies desire agents to bind their business and will overlook too great zeal in that regard.

If the general agent or manager demands it, an agent should always be ready to turn over whatever settlement he gets in return for a binding receipt, subject to the payment of his commission as soon as the policy comes, if cash was paid, or as soon as collected otherwise.

In soliciting life insurance there are three necessary things—the rate-book, the application and the binding receipt; and, verily, the greatest of these is the binding receipt.

The only difficulty ever encountered is when for a good reason the applicant wishes to be released; an honest agent and an honest company will find ways to release him. A customer who is dissatisfied on the start is not worth having.

COMPETITIVE LITERATURE.

Only a few years ago the shelves of the supply rooms of every life insurance company groaned under stacks of poisoned arrows, which were dignified by the name of competitive literature.

The other day the greatest life insurance company of the world announced that henceforth its agents were not to be supplied with anything in the form of literature that mentioned in an unfavorable manner competing companies or instituted comparisons of any sort or nature with them.

Between these two stages lie, not many years, to be sure, but a complete though gradual change of policy. Almost all the life insurance companies have completely eschewed the use of literature which in any way reflects upon reputable competitors.

Let not the agent, failing to realize the uselessness of this mode of competition and its withering effect upon his own prospects, do of his own motion that which this company now refuses to do. The agent who attempts to build himself up by tearing his competitor down will find that he is employing weapons which will, like certain firearms, do more execution at the breech than at the muzzle.

Agents are concerned in the general good name of life insurance companies. It is wiser even to keep still when a company is bad than it is to malign a company that is

good. In fact, the agent who exposes a really bad company will discover that he is performing the thankless task of enlightening men concerning a thing about which they would prefer to be ignorant.

It is public-spirited, when the occasion actually demands it, but it don't pay. Much less then will it pay to discredit companies that should command confidence.

ILLUSTRATIONS AND ESTIMATES.

The day of estimates in life insurance is nearly past, but few of the companies now being unable to point to actual results as the best of all illustrations.

These illustrations are, of course, of past results. The present conditions are not the same as past conditions. Future conditions are not likely to be the same as past conditions. Consequently, these results should not be understood or be held out to be estimates of future results.

This being true, it may be asked: Of what use are they, then? An agent canvasses a man to buy a policy, the results of which lie in the future; what purpose is served by showing him past results?

This question may seem a "poser," but it is really very easy to answer it.

In practice it will be found that the applicant is better satisfied with a sight of the actual results than with any estimate, however carefully made. The cause for this is not far to seek. This illustration of actual results enables him to make his own estimate.

He reasons, more or less consciously, about as follows: If I had taken such a policy twenty years ago, and now were to receive this return, would I be satisfied with it, in comparison with returns upon other investments? If so, I will be satisfied twenty years from now, because

the returns, while not the same as these now before me, will average about the same in comparison with returns on other investments.

If he does not seem to catch that idea, an agent may profitably suggest it to him. Usually it will be found that some such train of reasoning has enabled the "prospect" to judge of the desirability of purchasing.

This system gives the agent a slight advantage, growing out of the inveterate tendency of men to compare present results with present conditions. That is, the policyholder will compare the returns with the interest money pays now, and not usually with the interest which it has paid throughout the period.

This is hardly more than fair though, for it will be found that if estimates are presented instead of illustrations, he will do the same thing to the agent's disadvantage.

For instance, an option of letting an endowment policy's proceeds stand at 4 per cent. interest throughout one's after-lifetime, with interest paid annually, offered by a certain reliable company, never proved very attractive, simply because men could get 4 per cent. now and did not realize the value of an option guaranteeing it for from ten to fifty or more years from now.

If an estimate based upon present conditions is correctly and conservatively made, it is really more likely to approximate future results than is the estimate made by the "prospect" from an inspection of actual results;

because present conditions are nearer to probable future conditions than are past conditions.

The trouble is that the exigencies of competition make it impossible, as a distinguished actuary once wrote, for estimates which are really conservative to be of much use in the field. In view of which fact it is best to furnish facts and let the "prospect" estimate for himself.

ARE ILLUSTRATIONS NECESSARY?

What a relief life insurance agents would experience if some way of handling the business could be devised that would render the use of illustrations unnecessary! Would it be impracticable to do so?

Probably it would. Men love the concrete. They are wanting in imagination.

In theory, a man ought to go into a venture when he sees that it is a good thing. In fact, most men demand that some illustration be given of how good a thing it is likely to be.

This complicates the work of the promoter—every life insurance agent is a promoter—and makes it more difficult. It also inclines to extravagant estimates. The average business man discounts these estimates a good deal; but it never occurs to him that his demand for the concrete is the cause of his being fuddled.

Suppose, for instance, an agent were to approach a business man with the following life insurance proposition:

“You are now forty years of age. For our lowest-priced level premium policy we will charge you \$332 for \$10,000. In addition to furnishing you the protection, this being a mutual company, we will make it an investment for you. We will take your premium, add interest to it at the end of the year, deduct your share of the company's losses and expenses, add in the new premium

and keep up this accumulation for twenty years for your benefit if you survive that period. How much there will be, neither you nor I can foretell; but we know that there will be all that careful management can accumulate, interest being what it will be on sound investments."

What reason is there that the agent cannot close on this basis, without showing another figure, it being premised that he has, of course, explained other taking features?

There is no reason except that men lack imagination and that they are not close reasoners—not strictly logical. The fact is that no amount of illustration by figures can make that policy worth a cent more than this simple explanation makes it.

But the concrete is needed. And its proper place is not to displace this explanation, or some other explanation equally simple, but to supplement it. Thus, the agent may continue:

"If you would like to see how you would have been pleased, had you taken such a policy and did you have it now maturing as an investment, the following figures will illustrate what the company is able to return."

Such use of illustrations of actual results or of estimates will be found quite as effective with most men as to place great stress upon estimates and it will have the added advantage that the illustration is not the main thing.

The illustration ought never to be the main thing.

To make it so is like the course of some of the pictorial journals which publish a picture and give a little text to illustrate it, instead of telling something worth reading and illustrating it with appropriate pictures.

Illustrations are necessary, or at least desirable, but they are not the whole story.

ANNUAL DIVIDEND ESTIMATES.

Agents of companies which do not sell insurance on the deferred or accumulative dividend plan sometimes point the finger of scorn at agents of companies which do sell that sort of insurance, on account of the estimates.

This is more or less funny when one looks at it right. Bad estimates are bad estimates and one ought to be ashamed of them. But annual dividend policies are sold either by the use of illustrations of present dividends or by estimating future dividends, or both, quite as deferred dividend insurance is.

Moreover, this has always been true. And there have been as many men disappointed at the results of annual dividend policies as ever have been at the results of deferred dividend policies. And for the same reason and through the operation of the same conditions, viz., the falling of interest and the increase of expenses.

What agent is there to be found who has not had the experience of running upon a man with an ordinary life policy, perchance in his own company, who complains about the greatly reduced premium that he has still to pay, because the agent assured him that the dividends would wipe the premium out in less than 20 years?

Do you suppose that man is any the less disappointed just because he has a good thing? Not a bit of it; he is still compelled to pay when he did not expect to have to

pay; and the holder of a deferred dividend policy will excuse a smaller result than he expected much quicker than this policyholder will this disappointment. For he is reminded of it every time the premium notice comes.

Historically, the disappointment of policyholders with annual dividend estimates was the proximate cause of the introduction of deferred dividend plans. The public had lost its taste for regular annual dividend life insurance and the business of companies was on the decline in consequence, when the deferred dividend plans, with their attractive features and not more than one disappointment at most instead of a fresh one every year, were put forward and redeemed the waning popularity of regular life insurance.

The use of any sort of estimates should be sparing; that they must be used at all is to be deplored. But annual dividend estimates have as much to answer for in life insurance history as deferred dividend estimates.

Take, for instance, those cases of estimating that dividends would take care of premium notes. The failure of this estimate has caused a very remarkable thing to appear in life insurance, viz., a decreasing insurance with an increasing price. The insurance is decreasing on account of the augmenting indebtedness and the annual payment increasing because of the interest on this indebtedness.

One encounter with the holder of such a policy or any of his family is enough to convince any agent that er-

roneous estimates of annual dividends have done their share to discredit life insurance.

Avoid estimates and especially avoid pretending that they are certain to be realized. But also avoid throwing stones at your competitor; you may find that you live in a glass house.

UNFULFILLED GLOOMY PREDICTIONS.

There lingers to this day among many the view that companies which have not returned so large dividends as were estimated by them and expected by the insured must inevitably experience a declining popularity. This view is held yet, notwithstanding that the companies which transact annually the largest new business are obtaining that business by exhibiting the very results which disappointed their former policyholders.

The anomaly is explained by the circumstance that most of the persons who are insuring now are not the persons who were disappointed because they were not the persons who insured twenty years ago. The figures shown to them are large enough, so that they feel that if they were receiving such returns they would not be disappointed. But this is only partly true. Many of the persons who purchased policies fifteen or twenty years ago, policies that are now maturing, do buy new insurance of the same companies just as soon as they receive their money. In fact, it is so nearly universal for them to do so that agents consider it a particularly valuable privilege to solicit them. They count on being able to overcome any disappointment on the part of a policyholder and obtain his application, and his influence in procuring applications from others. They accomplish this through the fact that practically every sensible person understands that there has been a great change of condi-

tions since the policies were issued, and does not really expect such returns as were promised.

From these considerations it has followed that the expectations of persons who supposed that life insurance would go out of fashion because estimates were not fulfilled have been quite as disappointed as have been those persons who insured on faith in the estimates. It is exceedingly interesting, therefore, to recall the following dismal and mistaken prophecy indulged in by the famous London actuary, Samuel Brown, in 1849, in his introduction to his book entitled *A Few Thoughts on Commission, etc., in Life Assurance*: "The author believes that it is no less important to the companies themselves that the public should moderate their expectations of receiving large profits to which they have been so led, or have so habituated themselves to look, as the necessary result of joining a society for the assurance of life. If *even one* great instance of failure in the accomplishment of these promises or in the fulfilment of these expectations should occur the consequences might be disastrous in the extreme."

THE FIRST "HANDY GUIDE."

No doubt many agents suppose that the publication of the premium rates and other tables and of the policy conditions of all companies which come into competition in a certain field is a thing of recent and American invention. No doubt we have done much to perfect and adapt the idea; but it is an old one, and was put in practice before life insurance agents were recognized to exist.

They did exist, but surreptitiously only as yet, the companies paying persons for "influencing" business.

The earliest prototype of the modern "Handy Guide" is to be found in the last pages of a learned tome, entitled *The Doctrine of Life Annuities and Assurances*, by Francis Baily, which was published in 1813.

Baily wrote what was up to that time the most complete mathematical work on life insurance, a book which seems very queer now, with its old notation and the absence of commutation columns and short cuts.

He seems to have been himself the prototype of our modern metropolitan "consulting actuary," a *genus* of geniuses which has multiplied since his day. And he appears also to have considered that it was part of his professional duties to give "advice on insurance" to the public as well as to those who sought him professionally.

As a part of his scheme of counsel he included in his book a chapter on "The London Assurance Companies." If "comparisons are odious" this author was at no pains

to render them more agreeable. In the first page of his chapter he says of the Amicable Society, which was the oldest of all: "Its original plan was in many instances exceedingly defective, absurd and inequitable; and although it has since undergone several partial reforms it is still liable to many objections."

It will be observed that this olden compiler had not learned the art of self-suppression which is now so necessary to success in this "Handy Guide" business, where facts and not opinions are presented.

The Amicable was, in effect, an assessment society, the members paying into it a fixed amount each year, and the society dividing the total thus paid in among the "nominees of such members as happened to die within the year." The society guaranteed that this should yield at least £200 to each member, which guaranty was protected by a fund, accumulated from what were really "entrance fees."

The Royal Exchange Assurance Company and the London Assurance Company are two others which received particular mention. The Royal Exchange gets hit about as hard as the Amicable, as witnesses the following excerpt: "These rates have certainly not been deduced from any observations heretofore published; neither do they agree with any probable rate of human mortality, but seem to have been formed at random without any regard to the true principles of the science."

The distinguished actuary appears not to have been

wholly free from partiality, whether justified or not, as is evidenced both by the manner and the matter of the following concerning the Equitable Society of London: "It is truly deserving the name which it has assumed, it being certainly one of the most *equitable*, as well as the most important of all the societies that have ever been formed for the purpose of granting assurances on lives."

Some ten other companies receive attention in this old book, but the foregoing is enough to illustrate in what spirit it was written. Certainly great improvements have been made in that respect.

CANVASSING.

THE BEST WAY TO APPROACH A MAN.

Some years ago one of the cleverest agency managers in the life insurance business had a tremendous symposium on the subject of "How to Get at a Man." All the agents of this company throughout the country were invited to contribute to this symposium, and hundreds of them did so. At the meetings of the agents the subject was also discussed, and great benefit to that agency force was considered to have resulted from this discussion.

In the course of this series it is hoped to give many anecdotes illustrating the ways by which men who are difficult to approach have been led to grant audiences to life insurance men.

The present article will be devoted to some small consideration of the general principles which should guide an agent in this matter.

In the first place he should not forget that he is a salesman, and that it is the thing he sells and not his personality that he desires to present. The most that should be

expected of his personality is that it should not be obtrusive. His manner should be neutral, avoiding both offense and over-anxiety to please.

More agents err by being over-anxious to please than by rudeness. This is so true that the smirk of the salesman has been proverbial since the days of Confucius. Life insurance agents are less prone to this vice than the salesmen behind counters; still it is common among them.

An agent should be impressed not merely, and, indeed, not so much, by his own dignity as with the dignity, worth and importance of the thing which he offers.

Therefore all seeking for audiences by concealing one's business is to be deprecated. It is rarely successful, and even when successful is discreditable.

Perhaps the best method of all to approach a man is that which was always adopted by one of the most successful personal solicitors in the world, whose prowess as a field man won for him a vice-presidency of his company. His system consisted in simply presenting himself to the person whom he wished to address and making his business known.

At the same time there are helps which should not be disregarded by most agents, since not all of them are able by their own force of character to make the importance of their mission known and appreciated.

No method of approaching a man, however, should depart from this simple and natural plan more than the

absolute necessities of the case require. An introduction, whether personal or by letter, should be always regarded as a mere incident, and as soon as it is over should be forgotten and not again be referred to. Strange as it may seem to some, it is usually better, because more dignified and less likely to wound the self-esteem of the person addressed, for the agent presenting a letter of introduction to state that it was given at his request, for the feeling that the introduction implied the superiority of the introducer and is expected to influence the introduced is unpleasant in many cases. This feeling has often actually destroyed the agent's prospect.

More about introductions will be found elsewhere in this series. This is only referred to now to illustrate the point that every departure from the direct method of addressing a man without preliminaries should be so made as to preserve the dignity of both parties, and to leave the way perfectly clear for the business in hand to become the chief, if not sole, subject for conversation.

Agents sell life insurance policies by making men think that they want life insurance. The projection of any extraneous matter, especially in the first of the interview, often causes the main subject to be lost sight of and its consideration to be interfered with.

PIQUE THE INTEREST ON THE START.

Insurance agents are granted interviews usually not as a matter of right but as a matter of favor. Consequently the interview is not likely to prove successful unless the agent commands the attention of the person interviewed right from the start.

Therefore a statement which will arouse interest and incline the prospect to inquire further is often needed in order to get a satisfactory interview.

A statement which will be somewhat surprising and even a little startling is successful when used for this purpose. It is "putting one's best foot forward." If the agent can find anything in his company or contract that will stand this he should make use of it.

Thus, for instance, when a certain agent was sent out to sell return premium policies, he used to begin his interviews with a statement like the following:

"You of course know that companies return to surviving policyholders more than the money paid by them, besides furnishing the insurance. We are offering a little improvement which provides that the insurance to men who die shall also not cost more than the interest on their money. If you die, we pay the face of the policy and return all the premiums. If you live we also return all the premiums with considerable profit. May I show you how it is done?"

An agent working for another company found that of

the few companies which had matured policies similar to the one that he was offering his company had given the best returns. There were other companies offering the policy which had not yet matured any of them, but which instituted uncomplimentary comparisons on other forms of policies. This agent used to preface his interviews somewhat as follows:

"I wish to show you, sir, the largest return that was ever made upon a policy similar to the one we offer you. Some other companies have matured these policies and have not done so well. Yet others have not matured them, but claim they will do better. You will have to judge of that, sir; but it will no doubt interest you to see what is the best that any company has done and perhaps you will prefer to insure in that company, trusting its performance in preference to other companies' promises."

An agent of another company, which prided itself on its supremacy as a dividend payer, used to introduce his subject about as follows: "I will furnish you, sir, if desired, a statement of a policy issued at your own age with the name of the man and his residence. If any company will furnish you a similar statement of a policy of the same kind, issued the same year and making as large returns, I will retire from the competition and recommend you to do business with that company."

These are only given as specimen introductions of the subject. Of course the agent will not always pursue the same course. It must depend upon the man and upon the

occasion; but, as a general thing, it pays to have some system by which an agent counts upon attracting the attention and interest of every person he approaches. If he can once catch this interest so that the person approached really desires the conversation to continue he should be able to turn it to his advantage. Evidently it will be fatal for him to so begin a conversation that the person approached is not interested and only desires to get rid of him.

KNOW WHAT YOU WANT AND GO STRAIGHT AFTER IT.

An agent should be built on the rifle plan and not on the old-fashioned, "spreading" shot-gun plan.

Directness is the most valuable thing in all his work.

The trouble with a very large number of men in this world of ours is that they never really know what they want, and so never do any actually earnest work toward a definite end.

In no business is this indecision more certainly fatal than in soliciting insurance. The agent who is all the time uncertain as to whether he wishes to continue in the business or not has already written "failure" for his goal.

So it is also in the soliciting itself. Know what you want. Let there be no doubt in your own mind that you want this man to insure here and now, and that you will be content with nothing less than that.

Do not be easily satisfied or mollified. Strive for what you know you want. All men respect the man who is direct and determined.

Of course this directness does not imply that you should say in so many words that you are after the commission. That will be understood. But you may say that you are after the business. That will not be misunderstood.

Each and every minute of your working hours keep clearly before you what you want and what you are

striving to accomplish. Do not permit yourself to be deflected from your work by the attractions of mere social enjoyment; and especially do not let your attention be diverted to other schemes for money making. This is your business—a business which will pay if it is well attended to, and which will be certain not to pay if it is not attended to.

Assemble your energies and focus them upon what you have in hand. When hope of securing a certain application disappears, waste no time on idle lamentations, but hie yourself to where another prospect opens. Do not forget what you are about. The man who is half-decided will always seek to turn the subject of the conversation or to satisfy you and himself with less than you have asked.

Know what you want and go straight after it. Take something else only when it is sure that you cannot get what you have asked.

SINGLENES OF PURPOSE.

Some agents are very clever at getting men interested up to a certain point, but they seem to be unable to close the business.

This, in many cases, is owing to the circumstance that when the average man reaches the point where he is doubtful whether he ought not to insure at once he is likely to squirm and to endeavor to change the subject. When he does this, if the agent has not kept himself well in hand, he is likely to be caught off his guard and to be led into conversing on other subjects, with the result that the tension lets up and his prospect gets cool on the subject of the desire of insuring at once.

The agent must bear in mind all the time what he is there for. If the conversation starts off on some other subject and in some other direction he should directly return to the subject by pointing out some interesting feature not before discussed.

If he will see to it that his own mind does not wander he will probably be able to prevent the mind of his prospect from wandering. The trouble generally is that he permits his own mind to wander, or that he becomes discouraged and disgusted and quits.

There is so far from being any reason for his discouragement that, on the contrary, he ought to be able to see that the "prospect" is adopting these tactics only because he sees that otherwise he would have to surrender. In

other words, he is by this act confessing that his position is not tenable.

If the agent has steadily borne in mind what he is there to do and if he revives the interest in the conversation, not by wandering on other subjects, but by bringing up new and interesting features of his policy, he will be able to defeat the tactics of the half-converted "prospect," and to carry away his application in triumph.

There is no succeeding without determined singleness of purpose.

BEWARE THE MAN OF ONE POLICY!

It was wisely said of old, "Beware the man of one book." It may as wisely be said in these days, "Beware the man of one policy." By this is not meant the man who holds one policy, but the agent who sells one policy and makes no effort to sell any other kind of policy.

This is all another application of the idea of doing one thing well. The agent who offers but the one policy is never confused in his own mind as to what he shall talk about. Not being confused in his own mind, he does not confuse his "prospects." This is a most important point. Perhaps more sales of insurance have been spoiled by putting the prospective customer in doubt as to which to choose than by all other blunders agents have made.

Of course, if the customer insists upon it, he should be shown everything he wishes to see; but the agent, ordinarily, finds it to his interest to display merely the one thing he wishes to sell.

Naturally this does not mean that the man of one policy should be of one policy forever. He may find a better policy to present, and if so he will change horses; but he will never try to ride two or more horses at once.

There are some people who can do that successfully, but the trick is more ornamental than useful. Most of

us find it better to ride one horse, and wiser at that to ride a horse to which we are accustomed.

The agent who knows one policy, and knows it well, is the most dangerous competitor in the field.

SELLING THE POLICY YOU WISH TO.

Of course the agent ought to want to sell the customer the policy that is best for him, and presumably he does; but the customer may not know what is best for him. Moreover, it is but natural that the agent's judgment should be biased by the consideration of his commission. In addition to this, he represents the company and its interests primarily; and if it says that it prefers to write a certain form of policy, says so clearly and cogently by offering 60 per cent. commission for writing that and only 40 per cent. for writing another, the agent disregards his duty to his company somewhat if he insists upon writing the other policy.

It is pleasant anyhow to sell what you like and to convince a "prospect" that what you wish to sell him is what he ought to buy. In fact, it is the triumph of the salesman's art. How to accomplish this must in all cases depend upon the individual peculiarities of the "prospect," and upon the facts of the case. It may be worth while, however, to give the experience of a celebrated solicitor, related by himself, as an illustration of what may be accomplished.

This solicitor says that upon approaching a certain "prospect" to bring the business to a close, having already had one very favorable interview at which a twenty payment policy with a twenty-year dividend period was alone discussed, he found that he had been approached

by the agent of another company and had been duly impressed with the superior desirability of an annual dividend policy. Now the agent was in a quandary on three accounts. One of these was that the company showed by its commissions that it preferred him to write this policy with deferred dividends; one was that for the same reason his own interests lay in the same direction; and the last was that his company would suffer in a comparison of annual dividends.

These, however, were small matters to him. He at once approached the subject, as follows:

"Of course your object in going on the annual dividend plan is to make your outlay as low as possible. Now my company will guarantee you a dividend of 23 per cent. right off, beginning with the first premium. I didn't present this policy because I thought the other one better; but since this is what you think you want, we will consider it."

The customer immediately conceded that he would rather have a guaranteed dividend of 23 per cent. than an estimated dividend, and the application was closed on this basis.

Most agents would have been content with this partial victory. Not so the solicitor in question. He wrote the company, explaining what had happened and asking that they send a policy for the same amount on the twenty payment twenty-year dividend plan as well as the policy applied for. When these arrived, he went to the appli-

cant and personally delivered the policy applied for and collected the premium, as if it were a matter of utter indifference to himself. In fact, from the time the gentleman expressed his preference for annual dividends up to this time, the other policy had not been mentioned. Now, in the agent's judgment, was the proper time to change the applicant's decision; for now at last he stood no chance of losing the business altogether. He therefore said:

"I have obtained for you the policy that you thought you preferred, but it is still my judgment that you have not taken the policy that you ought to have. It is all very well for a man to buy coal by the basket if he can't buy it by the ton or carload; but I think I can show you that it would pay you better to pay up your insurance in a shorter time and be done with it."

He continued talking with the gentleman after this fashion until he obtained an expression of a preference for the dearer policy, whereupon the agent clinched the matter by producing it, and explaining that he, knowing its greater desirability, felt so sure that the applicant would prefer it that he had asked the company to issue it and send it on.

LETTING UP TOO EASILY.

Almost as serious a defect in soliciting as the overloading of one's customer by overpersuasion is to leave the customer without selling him that amount of insurance which he can afford to take and which he ought to carry. Agents are not prone to this, still they do so occasionally.

It should be the agent's aim to sell to his customer that amount of insurance which the customer can well afford to pay for, and which he will be readily convinced is adequate. This is moderation; anything beyond it extravagance; anything below it parsimony.

Sometimes this failure of agents mounts to the height of failing to place as large a line of insurance as one's customer really knows that he wants. Moreover, it happens sometimes even with the cleverest solicitors; and it always overwhelms them with humiliation, for certainly nothing can be more humiliating to a man who depends on his commissions for a living than to discover that he has actually gone away from his customer, exulting at having obtained the application, when, as a matter of fact, his customer was ready to give another and perhaps a larger application to the next agent who approached him.

A gentleman who is now an officer of a leading company, but who was then an agent for the same company,

once turned up at the general agent's office with an application for a large amount of insurance on the life of a man who had hitherto been proof against all the wiles of solicitors. He congratulated himself, with apparent justification. Being unable to attend to the delivery of the policy himself, it was intrusted to another agent. Having performed that errand and having collected the premium, this agent asked the man why he did not make the policy the full limit issued by the company.

"Why," exclaimed the man, "you don't really mean to tell me that your company writes larger policies than this? Smith said nothing about that. I supposed that was your biggest line. Of course, I want the most you will write. In fact, I am likely to take a good deal more in other companies."

Another agent who had been long in the field wrote an application for a good-sized policy one day, and felt as if he had done a good thing, indeed. It was for the amount which he had himself suggested. He had never mentioned a larger amount to the man. The very next day he met an agent for another company on the street, who hailed him as follows:

"Hello, Robinson, I am glad to see you. Say, do you know that was a singular thing yesterday. We got an application apiece from the same man within half an hour of each other. I stumbled in there, and the man told me he had just insured with you. I asked if that was all the insurance he wanted, and after a little con-

versation he gave me an application for the same amount."

Naturally, Robinson was crestfallen. He then and there formed a resolution never again to leave a customer until he was quite sure that he had sold him the amount of insurance which he desired.

The agent's motto should be: "Neither too much nor too little."

GIVE HIM A CHANCE TO THINK.

Some agents talk so fast and so long that the persons whom they address really do not have an opportunity to think out anything.

A very little consideration will convince one that this is a mistake. The only reasonable expectation that an agent can have that the "prospect" will insure arises from the hope that he will think himself into doing it. The only ground for expecting that the arguments of the agent will impel the "prospect" to action consists in the expectation that these arguments will find lodgment in his mind and thus cause him to act.

The agent is not fishing for suckers with a snare, but is fishing for trout with bait. The difference, of course, between soliciting and fishing is that the bait ought to be all that it purports to be, and that the "prospect" will be benefited and will not be injured by being caught.

And at bottom the operations are closely similar in each case. One is engaged in producing a psychological change in the emotions which will set in motion the springs of action. It is the process of impelling from within instead of compelling from without.

Therefore, there is every reason to give your "prospect" an opportunity to think. Yes, and to express his thoughts also. Unless you are a mind reader you will, otherwise, fail to know how near you are to victory. It is safe to say that many a time the agent talks the man

into insuring and out again before his tongue quits wagging.

There is one exception to this general rule of conduct, however, and that is when the agent sees that the trend of his "prospect's" thought is toward dangerous pitfalls. The agent cannot then talk too fast and long if it will have the effect of bewildering the "prospect" and causing him to lose that thread and to set forth upon some other line of thinking. These contingencies sometimes arise, but that is another matter.

Ordinarily, however, the agent needs to let the man have time to think and to speak his thought. By doing so the agent ascertains how effectual his arguments have been and learns how to supplement them and follow them up. The "prospect" himself will often be found to think and talk himself into insuring to a large degree if the tendency in that direction has been created by the agent's arguments.

It is the agent's business to direct and not to suppress thought on the part of his "prospect."

“AS A FAVOR TO ME.”

There is practically no doubt that more insurance is placed through personal favor than through all other causes combined. By which is meant, not that men insure because they like the agent, but that they insure with him because they like him.

Of course, if they did not think that insurance was something desirable, they would not insure at all. And, if they are doubtful about that, the agent who can “convict” them—for the process is more like the process of “convicting” a sinner than that of merely convincing the intelligence, since it must stir to action—that agent is entitled to and will usually obtain the insurance.

The placing of the insurance as a favor is a thing best done without its being asked as a favor. Moreover, it is most often done that way.

If you ask your acquaintance to place his insurance with you as a favor, one of two things will happen. You will either be disappointed, which will, perhaps, render it unlikely that he will ever be inclined to favor you. Or your request will be granted, but with ill-grace and with a feeling that you are now under obligations and must expect no more from him.

How different from this it is when the patron, himself, acts out of a desire to favor you. Then, aside from an expression of your appreciation of the kindness, you

have nothing to do but arrange the matter as requested. No humiliation attaches to the transaction.

The agent who possesses the favor of a man who intends to place insurance naturally will be preferred if he conducts himself in such a manner as to convince his acquaintance, first, that he desires to safeguard his interests, and, second, that he can safeguard them.

Devote your attention to convincing your "prospect" that what you are offering him is best for him. Let your personal influence with him weigh merely to overbalance the case in your favor if the competing agent succeeds in making out as good a case as yourself.

Then it will be possible for you both to get the business through the favor of your acquaintance and also to retain his regard to the end that he will be more prone to favor you next time.

Favors which men do, not merely without feeling that it is costing them anything, but also feeling that it was the most profitable thing to do, are always remembered pleasantly and predispose to the same sort of favors again.

On the contrary, the mere putting of a claim for business on the plea of personal favor is a suggestion that it will cost the person who grants the favor the loss of some advantage which he might otherwise reap. It predisposes against granting the favor.

If your friend says that he intends to favor you and still does not do business at once, make it clear that you

appreciate his offer on the understanding that it is to his advantage to do so, and that otherwise you do not ask it. Then proceed to show him that he ought to insure now and with your company.

"CALL BACKS."

The interviews after the first are aptly termed "call backs" There is a dispute among agents as to whether it pays to make many or them or not.

This much is sure: It is calling again and again that makes an agent a bore.

There are successful agents who make the boast that if they cannot insure a man on the first or, at furthest, the second interview, they consider it a waste of time to call again.

Of course, they merely mean that since they are willing to extend accommodations as to time of payment, the person approached being responsible, delaying the matter signifies that it is not intended to do business at all.

But not all agents by any means nor all successful agents act upon this basis. On the contrary, one field man who was considered successful has stated that of the first hundred persons whom he approached on life insurance a very large percentage eventually insured with him, many of them after the lapse of years.

The fact is that there is a middle ground which is probably the truly wise attitude.

First of all, an agent should seek to get action at once. If the matter is put off, try to have it done for consideration and decision by the next interview, and not for indefinite consideration.

Then state frankly that you do not expect a favorable decision as the result of delay; that men usually get lukewarm and fail really to consider the matter at all, and that you will be agreeably surprised if he is an exception.

Often a sense of pride and an unconscious desire to agreeably surprise you will cause the "prospect" to decide favorably, almost before you are out of sight, if you have made a pleasant impression.

But do not go again and again.

Two or at the most three interviews are enough at one time; that is, in quick succession.

Then merely keep track of the case by looking in now and then, ever ready to strike when opportunity offers.

STEERERS AND HELPERS.

Much of the best work in life insurance is done by men who visit a town infrequently and whose success is in part owing to the fact that business must be done now or not with them at all. One desirable thing in connection with this sort of work is that the solicitor, who ought to be a thoroughly furnished life insurance man, should have to work with him men who are acquainted in the neighborhood, who know the financial circumstances of the different citizens, and who are able to give him an introduction that will secure him a favorable hearing.

A similar situation exists in larger cities, for the reason that, unless there is some reason for seeing him, a man who lives in the same block or even in the same building with you is in effect as far away from you as the antipodes. The difficulty about obtaining interviews also is greater in the city, and an immense amount of time is wasted in futile attempts to secure interviews and also in running about the city. There is no time-waster like a great city.

There is no question that the most effectual method of carrying on life insurance soliciting, when the agent is a thoroughly successful "closer," is to employ an army of persons who will keep track of what is going on among their acquaintances, and who will notify him of favorable opportunities to secure interviews. These persons, who

are called in the cities "steerers and helpers," and who in the country are the local agents of the companies, take the solicitors to their acquaintances and introduce them. By keeping them away from persons who are not likely to insure, or who are not able to do so, and introducing them to persons with whom there is a fair prospect of doing business, they bring it about that the solicitor wastes little time in comparison and, therefore, can well afford to pay a good part of his commission to the person who thus assists him.

In the cities it has not been customary for these persons to hold agents' commissions. Not being known as agents the "prospect" will not be able to say that he will do business with the agent when he makes up his mind to insure. Every solicitor who has worked in the country is familiar with this method of delaying the transaction. Another advantage, no doubt, in some cases, has been the fact that the person did not realize that the helper was going to get part of the commission.

Nowadays, however, there are not many persons in the larger cities who do not understand that these helpers are paid. In fact, it is a matter of common notoriety that the most convenient way of giving rebates in evasion of the law is to pass the commission through a helper, concerning whose behavior in the matter the agent assumes no responsibility. In fact, so common and so demoralizing has this practice become that one of the great companies will now permit its agents to pay a commission

only to persons who have been regularly appointed its agents and who have agreed not to place insurance in other companies. Possibly one result of this rule will be that in the long run a much more effective helper-system will be developed than the old one, because the helpers will not feel free to turn the business wherever they please; but, on the contrary, the efficiency of the helper-system may be greatly impaired if it becomes generally known among their acquaintances that they are regularly commissioned agents.

SPRINGS OF ENTHUSIASM.

The efforts of managers to arouse the enthusiasm of agents, so as to bring out their best work, have been so constant that the expression "jollyng an agent" has come to have a distinct meaning in insurance. In no line of business, and especially in no branch of the salesman's profession, is enthusiasm so necessary as in insurance.

Notwithstanding that to many it may seem a somewhat stilted proposition, it is nevertheless true that the principal fountain for enthusiasm must always be an exalted estimate of the importance and value of one's work. The agent should understand his mission. He should realize that no greater blessing has come to man in the nineteenth century than the blessing of insurance, of being able to defend himself and those dependent upon him from those calamities which in the past overwhelmed the individual. The agent who has once thoroughly impressed himself with the great importance to the men whom he addresses of the protection which he offers has taken a long step towards being constantly enthusiastic.

There is a common idea that success only can be counted upon to engender constant enthusiasm, and that failure must necessarily dampen one's ardor. Nothing could be further from the truth. Where one has been overmastered by a conviction, failure has a peculiar effect. It merely whets one's eagerness. Such a person cannot

credit the proposition that he has been, or will be, defeated. He can only believe that victory has been delayed and that it is sure to come.

Those who hold that success is the one thing necessary to enthusiasm forget a very common phenomenon, namely, that almost all men, when they have succeeded, are disposed to rest on their laurels. In some branches of insurance it has proven a positive stumbling-block to an agent that he has made an extraordinary success for the time; it has often caused agents to distinctly diminish the strenuousness of their efforts.

Of course the solicitor of insurance is in the business to make money. Moreover, this is not a base or ignoble desire, although until the present century it has generally been thought to be so.

In order to live comfortably, to do one's best work and to bring up a family so that one's children will be useful citizens, one must make money.

It is only ignoble to desire to make money by injuring one's fellow men. An agent may properly combine an earnest desire to earn money with an earnest desire to serve his fellows, the two objects being attained by the same course of conduct. And he ought not to lose enthusiasm because of the mixed motive.

SEEK PROPER OPPORTUNITIES.

It was a wise man of old who said "There is a time for all things." So, likewise, is there a time to talk life insurance, and many times when it will be unprofitable and may be offensive.

The agent should bide his time and seek his opportunity. It is not merely true that many men are of many minds; it is also true that the same man is of many minds.

Taken at the right time, by testing him in conversation, it will be found that almost any man may be led to think favorably of insurance. This is because it is a good thing, and one of the last and best fruits of the ripening civilization of our time. It is because this is true that an agent may proceed with full assurance that, when the door is open, conviction of the virtues of insurance may enter into a man's mind.

What constitutes a proper opportunity is not so easy to define. Much delicacy and tact are needed to determine this. The case of each individual man will differ from the cases of his neighbors.

Every agent knows that when men are about to undertake unusual obligations, such as when they are about to marry, they are very likely to be well disposed toward insurance. It is also well known that when there have been deaths among their immediate relatives or friends this will predispose them to think seriously of what condition of affairs would ensue if they were taken. A sud-

den or alarming illness on the part of the man himself, or some one of his family or friends, will also often have the effect of turning his thoughts to life insurance.

Any one of these cases, of course, the blundering agent may easily spoil. They are all matters concerning which the man is sensitive. The agent can hardly open up the subject of any one of these directly, unless it be an approaching nuptial. Perhaps the best way is merely to bring up the subject, assuming that one will be heard. One will be heard usually, and, if not, no prejudice has been created.

BE SYSTEMATIC.

When one says "be systematic," he should not be understood to mean "be mechanical."

There must be system in all things. In military affairs system is a prime necessity. But the difference, after all, between a good general and a poor one is not in their abilities as disciplinarians but in their genius for successfully fighting battles. A martinet is seldom a good, and never a great, commander.

An agent's system should be a means for an end, and not an end in itself. He should take pride in having the best tools for his work. He should learn to use the tools that he has and to know their true value before he multiplies their number. After he has learned to handle one thing it is time to take up another, not before.

System is a way of being economical to save time and energy. But in excess it may be made a manner of greatly wasting time and energy.

The thing that the agent must constantly keep before him is what he is after. If this object be firmly fixed in his mind and he makes use of those methods of work with which he is most familiar and in which he is adept, he should not fail of success. But if he merely scatters, first trying one thing and then another, and building up a useless, though formidable-appearing, plan of attack, he is likely to find that some person who is prompter to act has bagged the game while he is getting ready.

Some men have a genius for details. It is not too much to say that in most cases these men have no business to be life insurance solicitors. The solicitor must be able to generalize and to slight details, not to an unwarrantable degree, but to the degree which is warranted by his purpose and the necessity of the case.

True system coexists with enthusiasm. Merely mechanical system is the foe of enthusiasm.

MIND YOUR APPEARANCE.

Singularly enough, both the famous philosophers of Greece and the famous Confucian philosophers of China have taught that virtue consists in preserving the mean, or, in other words, in moderation in all things.

In nothing is this truer than in the matter of personal appearance, and especially on the part of men who are addressing strangers. The appearance should be as nearly neutral as possible, neither offending by too great nor by too little care. A man should neither be slovenly nor foppish.

Avoid eccentricities of appearance. Keep in the mode, neither being overdressed nor underdressed.

There is one thing, of course, concerning which you cannot be too particular, and that is concerning cleanliness. Spotless cleanliness, meaning not merely the absence of dirt, but also the absence of that stench which indicates invisible dirt, is a thing in which one cannot excel too much.

But in everything else concerning his personal appearance the agent should observe the golden mean. He should avoid jewelry and the ornate in every particular. His clothes should neither be pronounced in style of cloth nor in cut. He should strive to create the impression that he is merely a well-dressed and a modestly-dressed person.

Above all things he must avoid dressing so that he

appears undignified. Upon the impression of dignity which he makes when addressing a stranger depends, in a large part, the sort of interview he will obtain.

There are two things which make up the appearance. One is the dress, and the other, which is of even greater importance, is the manner.

Upon the manners will depend to a greater degree the impression which the agent creates than even upon his attire. His manner should be frank, self-reliant and engaging.

In this, also, he should observe the golden mean, for he should avoid both deprecating manners and pretentious manners. He should not behave as if he thought that he was better nor as if he thought that he was worse than the man addressed. He should meet him on terms of equality.

This is really effacing himself, for by so doing he causes his customer not to think of him at all, but to think merely of the subject-matter in hand, which is the business to be considered.

RECIPROCITY WITH DEALERS.

Insurance agents will do well to avoid even the appearance of "trucking," that is, of being willing to trade policies for goods. Many an agent has spoiled his career at the outset by making offers to nearly everybody he met to trade for merchandise instead of insisting upon cash payments.

At the same time there may properly be a reciprocity of trade. The merchant who patronizes the agent should in turn receive his patronage, if possible, and the successful use of his patronage will often give the agent a claim upon business which he would not otherwise have been able to reach at all.

Thus, for instance, it is entirely proper that the agent should expect and demand that his grocer, butcher, baker and the other dealers whom he regularly patronizes should give him their insurance. This will cost them nothing, presumably, because they would otherwise pay their premiums to somebody else, and if handled at all delicately, the agent should find no difficulty about the matter.

By occasionally directing and recommending other persons to the dealers with whom he trades the agent may establish the right to expect that these dealers will exert their influence to obtain him business. Thus, for instance, they may introduce him, or if they know of persons about to obtain insurance they may either send

them to him or him to them. They may also influence their customers, making the fact that they carry insurance with this agent and his company as public as possible.

Care, of course, should be taken in this matter that the agent is not harming himself instead of helping himself. Thus, the dealers should be men of good reputation and standing, so that their opinions and judgments would be accepted by persons who stand well in the community. Otherwise the agent may, by their evil association, attract to himself a class of custom which he ought not to desire and which will repel better.

WHEN PREMIUMS ARE PAID.

One of the lessons which an agent needs to learn is the value of trifles. By this is meant "to place upon them their true value." Many things which are apparently trifles may be transformed into important aids to the agent's success, and if neglected by him may prove serious obstacles to his success without his ever guessing what those obstacles were.

One of the very best times to encourage men to take insurance is when they are paying premiums on insurance which they have already taken. If they are at that time warmly congratulated upon the policies which they already own it will have a tendency to make them better satisfied and possibly to make them desire more.

When a policyholder pays a premium one has in that fact clear evidence that he is able to carry the insurance which he already has, and, since things are rarely precisely balanced in this world, it will happen in the majority of cases that he can easily carry more. Therefore, if an agent can impress upon him in an agreeable manner that the insurance which he has is a very good thing, indeed, he ought to be able to make him feel that a little more would be a better thing.

There is still another reason why a few pleasant words are desirable when a policyholder pays a premium. Owing to the manner in which agents often solicit insurance it has passed into a proverb that all they desire is to

get a man's application and his money, and then they have no further use for him. Very frequently the contrast between the excessive interest in a man's affairs which the soliciting agent pretends and the want of interest in him on the part of persons to whom he pays premiums thereafter is painful indeed; in fact, it may be said to be disillusionizing.

This difference is often felt even when the first premium is being paid, especially if an obligation has been given for it, so that the policyholder has no choice but to pay. In cases where the applicant has not taken nearly so much as he can afford, it will frequently happen that a little judicious attention at this time will enable the agent to increase the line to something near what it ought to be.

There is a witty old saying which likens the ardor of a man before marriage to running after a street car and his undemonstrative disposition after marriage to the satisfaction of one who has got the car. It will be conceded that the contrast between the behavior of the lover before marriage and after marriage is unfortunate when it is as plain as this. The same illustration might be used to show the difference between the behavior of many agents toward their customers before they have secured their custom and afterwards.

Really it is in some sense a misfortune that life insurance has been felt to be a permanent arrangement, so that when one has taken a life insurance policy it is not

necessary to give the matter further attention. In fire and other branches of insurance, where this is not true, agents are proverbially attentive to the wants of their patrons, and they lose no opportunity to make the patron feel that he has a good thing which he can afford to pay for and which, if he has not enough, he ought to increase.

It may be an open question whether attempting to hold custom by penalties and forfeitures has been a good thing. But there is no question that the agent will act wisely if he models his conduct precisely as if his customer were perfectly free to discontinue his patronage when each premium falls due. This is the best course to secure the payment of the premium and also a wise course in order to get more business.

THE DELINQUENTS.

In many offices the delinquent policyholders are considered unmitigated annoyances. There is no sentiment in the office but one of petulance when it is observed that a man's premium is overdue. Some managers are either entirely indifferent or make no effort other than a notice by mail to collect the premium. Others permit their employés to do so, or go about the matter in a purely perfunctory manner.

Perhaps no graver mistake could be made in a life insurance office. Suppose that the collecting agent has nothing but a very small collection fee. It is, perhaps, natural that he should feel that he would not be paid for the trouble if he were to make an active effort to secure the premium because the collection fee would not be at all equivalent to the labor.

It is not too much to say that in most offices the man who understands his business as a solicitor could go and interview these delinquents personally for no direct return whatever. He would, if he handled the matter cleverly, be richly compensated for his services by the commissions on new business which he would thus obtain.

This anyhow has been the experience of many offices which have tried it. The explanation seems to be that coming to the person on the errand of looking after his interest the agent gets a favorable entree and hearing.

If the customer has become lukewarm about insurance the agent has an opportunity to revive his interest, and if he succeeds he is very likely to augment the interest sufficiently to obtain another application as well as to collect the current premium. In other cases failure to pay premiums has been merely because it has been overlooked through the carelessness of trusted employés. In such cases it will frequently be found that the customer is really ready for more insurance, and that he is generally grateful for the care taken to prevent his insurance from lapsing. In still other cases the premium has not been paid because of temporary want of funds. If the person be of good credit this can easily be remedied by accepting his note for a short time, and it is again entirely possible that, knowing that a sufficient income will be on hand in a short time, the policyholder will be willing to increase his line of insurance if extended proper credit facilities.

There are many other cases which might be cited and described, but probably enough has been said to show that the field of what is considered failures and disappointments by collecting agents is a rich field for prospecting. Active work in this field will show that a large percentage of the overdue premiums can be collected, and that a large new business can also be written among men whom unenterprising collecting agents suppose to be "hard up."

CONDITIONAL APPLICATIONS.

There is a record of at least one agent who made a practice of taking conditional applications, and who seemed to thrive by it. By conditional applications is meant applications for insurance on condition that the applicant could decide whether he would take the insurance or not after the policies came.

The success of this one agent by this practice is so exceptional that one is almost tempted to believe that he succeeded in spite of it and not because of it. Still there was a certain strength in his declared position, viz., "I do not wish any customers who are not, upon mature consideration, pleased to be my customers."

This, however, can be accomplished without leaving matters so open as that. All that is necessary in order to accomplish the same thing, so far as the impression is concerned, is to release any customer who declares himself dissatisfied before a report of his premium is made to the company.

There are very evident dangers both to the agent and to the applicant in leaving the matter open.

To the agent there is the danger which always comes from having the matter undecided in the man's mind. Indecision after the application is made is as bad as indecision before. Nothing is settled, and the agent has still his work to do.

Few men will try to undo a thing which they consider

that they have done and settled; many men will withdraw from an arrangement if they consider that it is not settled. And in any case they will at least consider withdrawing as they would not consider it if they had done the thing once for all.

As to the insured, his interests are also jeopardized by leaving the matter open.

Suppose the thing insured against happens during the interval?

The insurance is not in force of course, and the agent will be dishonest if he reports it in force; while, on the other hand, it will certainly hurt him in that community if he does not so report it. And if the insured has possession of the policy more trouble will be likely to result. This is bad for both parties.

Therefore, avoid conditional applications; the exception does not set aside the rule.

DATING BACK POLICIES.

Some companies permit agents to take applications for insurance on condition that the policies are to be dated back, the insured paying his premium and interest thereon from the date of the policy to the date of the application.

An attempt was made in Wisconsin some years ago to have this adjudged to be rebating, and the matter was carefully investigated and discussed, but the decision of the officer to whom it was referred was that it was in no sense an evasion of the law against discrimination.

Some companies, however, do not permit it, probably not because they consider that it is discriminating, but because they are of the opinion that it is not an advantage but a disadvantage to the agent.

And indeed there are two sides to the question, for, on the one hand, an agent may now and then be able to get an application when the policyholder is a short distance over the turning point of age by dating the application back; and, on the other hand, no doubt all agents have often been able to close their prospects because they convinced them that waiting a single day longer would incur for them considerably-increased cost.

To be sure an agent could point this out to his customer anyhow, and most agents do, notwithstanding that their companies will permit dating back. There is in-

deed no reason why they should refer to that until the proper time comes.

But there is one thing which they cannot do truthfully, and, therefore, even though they do it untruthfully, cannot do with the moral force and effect which truth bears with it, and that is to say that if the day is permitted to go by the advantage which he now has will never be restored to him, and that the company will not by any contrivance permit him to escape the penalty of his own delay.

It is, therefore, an open question whether, on the whole, it is an advantage to the agent in the field for his company to be obliging in this particular, or whether it is not more advantageous for him that it be resolutely exacting on this point.

SEMI-ANNUALS AND QUARTERLIES.

For the convenience of the insured life insurance companies have consented that, instead of an annual premium, such as is charged practically universally in other lines of insurance, a quarterly or a semi-annual premium may be paid. This is offered to the insured as a convenience. It is a source of considerable trouble to companies and of some additional expense.

For this additional trouble and expense a charge is made in the increase of the premium. When an applicant suggests that he would prefer to pay in this manner it is well to call his attention to this, and to make the point that it is a privilege which he should only make use of when he needs to, and that otherwise he will be paying for something that is of no value to him.

It should be indicated to him that, if the policy is taken on the annual premium basis, and if at any time he desires to pay quarterly or semi-annually instead the privilege will be open to him to make use of it just as long as he wants to. Therefore there is no need to start the policy that way if no necessity exists for paying so at present.

There is a good reason why the agent from his own standpoint should not desire his customer to start out on a quarterly or semi-annual premium. It is the experience of all agents that the likelihood of lapse is far greater than it is when the premiums are payable an-

nually. The increase in the probability of lapse is almost as great as the increase in the number of payments, that is, twofold for semi-annual payments and fourfold for quarterly payments. It seems that multiplying payments, which multiply the opportunities to lapse, comes very near also to multiplying the probability of lapse.

At the outset there is an additional reason why the agent should fear heavy lapsing. It is an universal experience that just after men have bought life insurance there is a tendency to reaction on their part, so that if the transactions were not completed many of them would be likely to withdraw. The larger and more substantial is the pledge of money which they have given, the more certain they are not to experience this reaction, simply because they consider the matter settled and therefore dismiss all argument about it from their minds.

On this account the larger the premium collected in advance has been, the less likely is the applicant to lapse his policy.

Since, if only a semi-annual or quarterly premium has been collected the agent will have a part of his commission deferred until the rest of the premium for the year is collected, it follows that the agent has a very vital interest in whether this policy is lapsed or not. This same interest impels the agent to desire to collect the premium for the whole year at once in order that he may at once receive his commission.

In this matter the agent's interests are in complete

harmony with the interests of his company, which also desires that lapsing be avoided by all possible means and especially so for the first year before the company has received money enough to reimburse its outlay. Moreover, where the company pays the examiner's fee, there is an additional loss if only a quarterly or semi-annual premium is collected before the policy lapses.

On this account a wise agent will do his best to collect an annual premium in advance and to induce the policyholder, who thinks he may prefer to pay in smaller installments, to wait until the necessity for the smaller payment exists.

TAKING THE EXAMINER WITH YOU.

One of those tricks of the trade of life insurance soliciting which has always seemed a little like forcing things, is to take a medical examiner with you to an interview which is hoped to be final, the consent of the "prospect" not having already been obtained. Sometimes it produces a very good effect and sometimes an ill effect, depending largely upon the manner in which it is done.

If the agent is able to make the "prospect" feel that the examiner's being along is almost adventitious, he may get along without offending him. Thus, for instance, he may make the point that the doctor was going in this direction and, knowing that it was almost certain the prospect would go ahead to-day, he had asked him to step in. Few men will be offended at this, and sometimes it will give the necessary fillip which turns the scales in favor of insuring at once.

There is something very tempting in the fact that everything is all ready and that all one has to do is to sign his name. If the agent can induce this situation without seeming to have been unbusinesslike instead of businesslike, and also without seeming to be too urgent, he ought to be able to win the day. The presence of the physician may assist him to do it.

On the contrary, if the idea is carried that the agent has assumed that the customer certainly will go ahead, and that now he must do so because the doctor has been

caused "all this trouble," the ruse will ordinarily fail of success, for most men will resent it. Of course there are rare cases when the "prospect" is either too thick to recognize the fact that he has been affronted or too weak to bear up against the assault, but the agent must not assume that such tactics will, in general, succeed. They ought never to succeed, and such success will be dearly bought in the end.

One of the principal difficulties about taking the medical examiner along with you is that he will not desire to go. Especially not if he does not get a chance to earn his fee in nearly every case. It will usually be found that he will be particularly unwilling to go if he discovers that the agent is using him as a part of browbeating tactics.

In this country it is the exception rather than the rule that the physician goes to the person to be insured before an application has actually been signed. Some examiners even then insist that ordinarily the applicant shall come to them. In Australia, on the contrary, owing to its "magnificent distances" and sparse population, it has been quite the practice for every skillful agent to travel about the country accompanied by a medical examiner. This being the custom, it is not possible for anybody to be offended; and, no doubt, the presence of the examiner at each interview has been very helpful.

TARDY OR NEGLIGENT MEDICAL EXAMINERS.

There is at least one complaint against an examiner that an agent may properly make upon due occasion; and that is that the examiner fails to proceed promptly to examine an applicant when the application is turned over to him.

Soliciting life insurance is no sinecure. It means hard work, much of it without result. And the comparatively large commissions paid when the applications do come, are payment not merely for that work which brings results but for the hard work without results.

Therefore, it is decidedly a hardship to be put in peril of losing one's commission because, before a slow and careless physician gets to the applicant, he may have changed his mind.

There is high authority for the agent's right to complain of this sort of treatment, no less indeed than Dr. John M. Keating, Medical Director of the Penn Mutual Life Insurance Company, and a celebrated medical writer, in his book on "How to Examine for Life Insurance."

What he says is so valuable, not only to inform the agent as to the examiner's duties, but also to enable him, upon reason for so doing, to call the matter to the attention of any physician who may threaten to be recalcitrant in this matter, that the passage is here quoted in its entirety.

It is at the very beginning of the chapter on "How to Examine an Applicant," and it reads:

"When an applicant is presented to an examiner, or an examiner has been asked to visit one, to make an examination, it must be always borne in mind that, in a large majority of cases, the individual has not sought the insurance of his own free will, but has been convinced of the necessity of insuring his life, and the character of the policy which the agent has shown him has struck his fancy, and he has decided to submit himself for examination. Naturally, if much time is lost before he is examined, he will cool off, or some other agent, with more persuasive powers than the first, will convince him that his company offers a contract which, in many respects, is more suited to him. It becomes, therefore, the duty of the examiner, who has accepted the position from the company, to at once attend to this matter of examination, to let no time elapse, but endeavor, as far as possible, to postpone for a short time other outstanding engagements, that will enable him to attend to his duty with promptness and willingness. Such an examiner is valuable to any company, and his services will not only be appreciated, but he will retain the good-will of the agent without sacrificing in any way his reputation with the company, and he will honestly discharge his duties, which demand that, in the short time that he is present with the applicant, he shall acquaint himself as thoroughly as possible with all that pertains to that individual."

TIME IS MONEY.

It would seem that nobody in all the world ought better to know or more constantly to act upon the proposition that time is money than the life insurance agent. For he is continually seeking to get men to protect a value which consists of "after-lifetime." He is insuring "time" and expressing its value in dollars and ought to have the lesson brought home to him by his own arguments that to waste time is to waste money.

Still, among life insurance solicitors there are at least as many time-wasters as in other professions or occupations; and some competent judges estimate that the proportion of time wasted by them is larger than in most occupations.

What is the reason of this? For, of course, it has a cause.

The reason is probably to be found in the irregularity and uncertainty of rewards. An agent is at one time discouraged from effort because he is doubtful about the reward; at another he is spurred to unusual activity because he is confident of the result.

Now nothing is clearer in life insurance soliciting than that these rewards, when they do come, are payment not merely for the effort of obtaining that application, but for all the apparently fruitless work of the past. If one doubts this, he only needs to try the experiment of trying to live upon the money he can make by so-

liciting only when he knows surely that business will result.

This being true, the agent should never prejudice his success for any day. Especially should he never prejudice it to his own disadvantage. The too sanguine idea that one is going to be surely successful is not so dangerous; in fact, it is a valuable spur to action.

But no agent can expect to be paid, either in present or future rewards, for time which he does not put in. The time which he spends about the office, moping or lazing, will never be compensated in any commissions that he may earn in future. There is always a certainty that he would have earned more commissions if he had done no such loafing.

This must not be understood to mean that he should never do anything but work. Recreation and rest have their places; but so far as its tax on the energies is concerned, there is no such exhausting work known as sitting about, discouraged and disconsolate.

Rest when you are resting; play when you are playing; but when the time for labor has arrived, work hard and earnestly.

SCHEMES FOR LAZY MEN.

Agents are all disposed to evolve plans for taking applications by wholesale. In so doing they remind one of the manner in which the lazy boy of the family piles up his load of wood until not another stick can be made to lie upon it, in order that he may not need to go back for another.

It is an extravagant exaggeration of that which impels men to seek the easiest way of doing things.

There is a world of difference between the plans made by a man who intends to work as hard as ever anyhow, for the purpose of facilitating and rendering his labors more effectual, and the plans of the lazy man who would like to get things in such position that the machine would run itself and he would not need to work at all.

There are men of both types in the agency field; and their schemes are of very different values.

Let no agent deceive himself into thinking that any plan of soliciting will work without hard labor on his part. With hard labor the best tools can be made to do their best work, and very good work can be done with poor tools. Without hard labor the best tools will accomplish nothing.

The agent who works hard is likely to discover what things are making his work ineffectual and thus to devise means by which those difficulties may be overcome. Thus he not merely invents the tools, but he knows pre-

cisely their uses and what is gained by using them. He does not relax his efforts on account of them, but instead redoubles them, working under freer conditions and with less friction.

On the contrary, the lazy agent invents that which may or may not have merit and then sits down and grumbles because "the measly old thing will not work."

Perhaps the scheme would work if the agent did.

WASTING TIME ON IMPAIRED RISKS.

In these days when insurance is offered on some terms to a very large proportion of those who are rejected as not "first class," it is not quite so necessary to warn agents not to waste time upon impaired risks as it once was, when the only hope of getting insurance for them was to convince either the agents' own companies or others that the life was all right. Still there is abundant reason why an agent should be warned in this respect.

Dr. Charles Gilman Smith, the most celebrated life insurance examiner of Chicago in his day, once said to the writer that he fully believed that three dollars was lost by the agent in commissions which he would have earned upon unexceptionable lives, for every dollar earned by devoting his attention to trying to push through the application of some person concerning whose insurability the medical department was in doubt.

With the correctness of the doctor's estimate it is not intended to quarrel. His statement was in any case a fair expression of the fact that there is great danger that too much effort be devoted to seeking to accomplish the impossible, a waste of time which is sure to be punished by a shrinkage of income. In these days when there are companies which make a business of insuring persons who have been rejected elsewhere, there certainly appear

to be no reasons why an agent should spend any great amount of his time in the bootless attempt to obtain a reconsideration of his own company's decision.

Doubtless after a time more companies will adopt the system of writing substandard lives by grading the risks as intelligently as possible. This has long been done in Great Britain and abroad, and with much success. Indeed, in the case of one company, at least, the Australian Mutual Provident Society, where the "rated-up lives" amounted to one-third of the whole, the actual mortality compared with the expected upon these lives was but very little higher than the actual mortality compared with the expected in the entire business of the company. This indicates that grading impaired lives is possible, and that in the near future most American companies may adopt some system by which they can write many of the lives which they now reject.

At present, while they are without any such system, it would be a grave injustice to their policyholders for them to do so. Writing the lives upon endowment or other high premium plans only mitigates this injustice, but does not remove it. It mitigates it by rapidly decreasing the amount at risk; but it does not furnish the company with a larger provision for mortality. That is to say, under an endowment policy the insured contributes the same proportionate "tabular cost of insurance" as under a life policy. This "tabular cost" is all that contributes toward paying for the risk, and the injustice con-

sists in the fact that, the life being impaired, this charge ought to be higher.

The agent's interest lies in causing the system of grading risks to be adopted by his company as soon as practicable. He will find that this will be accomplished more readily and probably sooner by his promptly placing his rejected lives with some company which seeks that business. This course will be appreciated by his own company, which will thus avoid the annoyance of being constantly supplicated by him to do that which the medical department does not approve. Moreover, the ultimate effect may be that his company, seeing the large and profitable business transacted by other companies in these lives, will desire to obtain for itself a share of that business, the value of which it will then see.

THE AGENT'S RIGHT TO A HEARING.

The man who is offering something which people ought to buy has a right to a hearing. He should feel that he has this right and that he is not humiliating himself in seeking an interview.

The fact that the persons whom he approaches do not always nor even generally recognize that it is to their advantage to grant an interview, renders it necessary for the agent to be clever in seeking a hearing. He must remember, however, at all times, that a satisfactory hearing will be granted him only when it is believed that the subject in hand as presented by him will interest and advantage the person approached.

Concerning his person and manners, therefore, they should be irreproachable and neutral and not ingratiating.

He should have a dignified but not overweening sense of his own importance and especially of the importance of that which he purposes to present.

This sense may be cultivated if the agent will ponder the necessity for men to carry insurance and the fact that almost all of them would be unprotected if men like himself did not diligently and persistently solicit them to insure. The bringing of all mankind into the relation of solidarity through insurance is a task well worth undertaking and worthy the efforts of the best of men.

Considerations of this nature are not things to quote

to one's customers, but they are things which one may rightly ponder to himself and the proper comprehension of them will give inspiration and dignity.

The man who approaches another with the purpose of conferring upon him a benefit should feel in his own heart that he is entitled to a hearing and that a wrong will be done to the person he approaches as well as to himself if, by any chance, he shall not succeed in obtaining a hearing. Thus informed and thus disposed, he will quarrel with himself if by any deficiency of cleverness he is unable to obtain the hearings to which he knows he is entitled.

Never approach a man in an overhumble or ingratiating manner as if it were necessary to apologize for your business. Always approach him with an exalted sense of your mission which is to do him good. This sentiment will not mislead you into bombastic or grandiose behavior.

HONORS ARE EASY.

A good air for the agent to carry, both before and after securing an application, is the air that "favors are easy." By this is meant that the agent should take care both to avoid appearing unduly indifferent, and also to avoid appearing overanxious on personal grounds.

Of course the agent is working for a commission. Few people are so dull as not to understand that. The applicant does not pay him the commission, but by consenting to do business with him he enables him to collect the commission from his company. It is therefore a distinct advantage to the agent to have him insure with him; and the applicant knows that without being told.

But, of course, he is not going to insure with him on that account and the agent has every reason not to force that fact to the foreground. The man is going to insure, if at all, because it is to his own advantage and not because it is to the agent's advantage.

Therefore, without any attempt to disguise that he expects and desires to receive a commission for his work, the agent should avoid addressing the attention of his prospect to that fact in a manner which will convey the idea that he is asking him to do him a kindness. To convey that idea is commonly to create a feeling in the mind of the applicant that he is being desired to do something as a matter of charity, instead of as a matter of business.

The other extreme is the lordly assumption on the part of the agent that he is doing the applicant a very great favor. Of course, if he is too lordly, he becomes merely ridiculous, and he even ceases to become offensive on that account. But whether offensive or laughable, his bearing commonly loses the business. The proper manner is equable, frank, appealing to the man from the side of his own interest, seeking to demonstrate to him that it is to his interest to act, and disavowing by word and act that he is expected to do so if not clearly to his interest.

Not only when the application is being obtained should this attitude be held, but also afterward, as when the policy is delivered and the premium collected. At no time should the agent be guilty of the weakness of causing the opinion that he has been greatly favored. If he should do this, he is sure to create a suspicion on the part of the man that he has made a mistake. The opposite extreme to this is to treat the man with indifference just because one has his money. This practice is short-sighted, since a pleased patron is very likely to become a customer for a larger amount at some other time.

There is little danger if, as a matter of every-day politeness, the agent expresses his sense of obligation and of having been favored, and shows that it is appreciated; because such is taken at its true worth, merely as a form of politeness which shows that the agent is a gentleman and understands the ways of gentlemen. But it is quite

another thing when he permits an insight to be had into how great a favor it was, and how great a favor he may have felt it to be.

THOROUGHLY WORKED.

One will often hear an agent say: "This town has been thoroughly worked." In fact, in these modern days the impression is pretty common that people are hounded to death to take life insurance.

Well, some people are; but if there ever was a time since life insurance soliciting began when this impression did not exist the memory of the oldest inhabitant does not include that day. The fact is that instead of being overdone there is little doubt that the field of life insurance, even in the United States, is a neglected one. Much careless and therefore fruitless work is no doubt done. But intelligent effort still continues to pay and to demonstrate that there are yet many persons who should be insured that are not, and that would be if properly approached.

Cornelius Walford, in a chapter on "Practical Words for Insurance Agents," in his *Insurance Guide and Handbook*, says: "There are in every town numbers of persons who have never entertained the subject of life assurance for a moment, but yet whose families stand as much in need of protection as their houses and property require to be insured against fire, which the same persons would on no account neglect."

This is as true to-day as it was when he said it. Many an agent who is spending a large part of his time grumbling around his own office about how slow business is

would find to his surprise, if he began an active canvass, that there are many people who did not even know of his company.

It is not even true that the wealthy and prominent men are all solicited to death, though they are made of course by their very prominence shining marks for the agent's arrows. It once happened in one of the largest cities of the United States that an agent representing one of the leading companies found a very wealthy man of middle age who had absolutely never been canvassed by an agent of that company, though he had more than \$100,000 insurance upon his life in various companies.

In another case, in a small city within 50 miles of a large company's home office, a very wealthy man was interested by an agent in certain facts concerning that company, and he said: "Why did I not know these things before?"

It thus transpired that he also had never had an interview with an agent of that company.

Now in both of these cases of course agents had sought these interviews repeatedly, but they had not obtained hearings. That, however, constitutes no reason why further efforts should not be made to obtain these hearings. The fact that others have failed is not conclusive that you will fail, nor is the fact that you have not succeeded in the past conclusive that you will not succeed now. The angler does not stop fishing because the trout do not snap at his bait when first presented.

The wise philosopher has said that foolish men when they do not succeed look for the cause in others, wise men look for the cause in themselves.

SNUBS.

Solicitors are sometimes compelled to endure snubs. The honest agent who is conscious that he desires only to do good to the person approached and in no way to injure him should reflect that his injury is vicarious punishment, that he is suffering for the sins of others. If there had never been an agent who bored his "prospect," or an agent who bully-ragged, or an agent who overreached his customer, or an agent who outrageously misrepresented what he had to sell, then solicitors would seldom meet other than pleasant receptions, and when they did they might well smile, for the discourtesy would be evidence of the ill-breeding of the discourteous person and not in any sense a reflection upon the agent.

When an agent has understood the reason why he has been uncivilly received, he should let it drive two lessons home into his heart. One of those lessons should be that under no consideration would he make himself a nuisance to any man. The other lesson should be that, whatever the temptation, he will never permit himself to sell a policy which would not be satisfactory to the purchaser, if fully understood. These lessons he should learn in order that nothing in his conduct may cause another agent to be snubbed or add to the volume of the already existing prejudices against men of his vocation.

He should also learn these lessons in order that whenever he is dismissed with scant courtesy he will be en-

abled to hold up his head and say to himself, as an honest and well-behaved man might: "This snub was not meant for me. I shall not be angry or humiliated, for I do not deserve it; and if the person had known me as I am he would not have permitted me to suffer it."

AN ANTIDOTE FOR PROCRASTINATION.

The soliciting of life insurance is peculiar in that, usually, it is most successfully prosecuted by men who do not visit the persons proposed to be insured at all frequently. Concerning nothing in life is the average man more apt to adopt the Spanish motto "mañana," or "to-morrow," than in the taking of life insurance. Procrastination is in fact the rule and not the exception. Moreover, men are singularly prone to think that they can just as well attend to it any day if the agent lives just around the corner and meets them every day.

The very ease with which the thing can be done attracts them. It seems such a simple thing merely to drop in on a neighbor when you want insurance or to act some time—some other time—when he drops in on you. In consequence of which there is of course no especial need of acting now.

At bottom this is caused by the peculiar view which men take of their likelihood of surviving. No man believes that he is going to die to-morrow. Thus, the very day before his death, Col. George E. Waring, who gave his life in the service of his fellowmen, having contracted yellow fever in Cuba while seeking to plan out a system of sanitation, desired to take up his work, since he felt so much better. He did not know that the dread disease had hold on him, but supposed it to be simply malaria. In order to prevent his undertaking the work his

physicians told him the truth, which it was almost impossible for him to believe, though in less than twenty-four hours he was dead.

Such an excess of confidence is thus exhibited, even when one is on the verge of death by dangerous disease. It may naturally happen, therefore, that most men feel that they are not going to die soon, and that consequently they can procrastinate with impunity.

There are good and valid arguments against procrastination, but what men do is unfortunately not always nor even usually determined by reason. The fact is that as a remedy for procrastination there is nothing that compares with merely so arranging matters that the impression that the insurance may be negotiated with this agent at any time will be removed.

This is a matter of some difficulty when the agent really does live next door. It is a matter of still greater difficulty if he is a leisurely sort of man who takes a slack view of things and who himself says, oftentimes: "I will see you to-morrow."

The only safety for an agent who is doing a neighborhood business is to impress his customer before he begins talking with him about the merits of what he has to offer with the idea that he does not wish to spend any time unless, if the "prospect" is convinced, he would be ready to act now. If it is possible the agent should create a feeling in the neighborhood that he is so busy and so remuneratively employed that he really cannot afford to

merely satisfy any man's curiosity. It is entirely feasible for an agent to make all persons feel that he does not wish to take up his time nor their own unless business can be done now, if the persons addressed should find it a good thing to do.

This impression can hardly be created if the agent's field of operation is merely a small town, or even a city of moderate size. In such cases he should have sufficient adjacent territory so that he can be away from home much of the time. The impression which he should strive to create should be dual in character. First, that he really is busy, and so cannot come merely at a beck and call; and, second, that he has no disposition to talk with a man who is financially unable to do business now, preferring to go into the details with him when the time arrives that he is able to pay for the insurance.

DWELL ON THE ATTRACTIVE FEATURES.

When an agent has found what features in the policies of his company are most attractive when well and truly represented, he should dwell upon them in his soliciting.

Explaining away your weak points is at best an unpleasant and not directly profitable business. Do not anticipate objections! If they are brought meet them, but meet them with ten words about the attractive features to one word about the things objected to.

It is possible to see nothing but hideousness in a rapturously beautiful woman by looking at nothing but a small mole on the back of her neck. The surest way to forget the mole is to view the beauties which too close attention to small defects prevents one's seeing.

The man who sees in your policy what he wants will not be prevented from purchasing because it is not in every little trifle just what he would like.

If it does not pay to spend time unnecessarily in explaining away your own weak points, still less does it pay to spend time in magnifying the weak points of your competitor's policy.

The less you say about his policy the better. Talking a man out of buying it will not sell your own; if you convince him that he wants yours he will not buy the other.

Don't talk down the other agent's company or policy; talk up your own!

It is wisest to let the other agent tell his own story while you tell yours only. If, in spite of that, he attacks you the chances are that the "prospect" will think the worse of him and his company and the better of you and your company for it.

The very last resort should be to meet the attack—a resort which is certain to have a very doubtful issue. Commonly it will be found that the more bitterly you fight the less chance there is that either will get the insurance.

Some man of peace, some non-combatant, is likely in that case to chance along at the right moment and give the perplexed and annoyed "prospect" an opportunity to punish both of you as you deserve.

That non-combatant's virtue will be that he talks about what he wishes to sell and about nothing else, and that will get the business.

YOUR WEAK POINT.

If there is any company which has no weak point, that paragon of unexampled virtues has not yet been heralded to the world. Consequently, the agent need not despair when he discovers that there are some things in which one or more of the competing companies can show as good or a better record than his own.

The only time when a defect hurts an agent is when he is forever attempting to conceal it. To have to go around with the knowledge that he is weak on this matter, and that he must at all hazards keep it from the knowledge of his customers is to ruin his prospects.

There are few more pitiful objects to be encountered than the agent who is in such a plight. He goes about dreading exposure, and when it comes he flounders helplessly.

The way to handle a matter of this sort is to face the fact, to be ready to concede it, and then to talk about something else. The agent must consider that his company and its policies are desirable, notwithstanding this defect, or of course he would not be working for that company and trying to sell those policies. Consequently he may be able to let his customer see the weak spot as freely as he inspects it himself and still be able to create in their minds the same sentiment which is in his own, viz., that the company and the policies are desirable notwithstanding.

There are some agents who find, for instance, that when they are confronted by a company which is able to show better policy results than their own they are completely stumped, and can go no further, except by lying, introducing spurious comparisons and quibbling in every possible manner. This usually avails them nothing, and if it does avail them it ought not to.

Suppose instead the agent were to say: "The comparison of policy results which you have in your hand is, I think, accurate. We do not claim to have done as well as that company in that matter. Of course, what either of us will do in the future nobody knows. Their advantage may pass away. But now, if you please, let me show you some of the advantages of our company and contract. Of course you must understand that we should never have been able to sell insurance in competition at all if there had not been advantages to at least counterbalance the larger dividend there."

That agent will have got rid of all necessity of ever discussing the question of dividends with that customer again. If he is able to make out a good case in every other respect as, for instance, to point out more liberal features, greater privileges and a larger measure of value for the larger cost, he ought to be able to place his policy: At any rate he will have created a good impression, and will, all things being equal, or nearly equal, be likely to be favored.

RESERVE ARGUMENTS.

Was it at Bunker Hill that the patriot Warren, conscious of being short of men and ammunition, ordered his men to reserve their fire until they could see the whites of their enemies' eyes?

That order might well sink into the minds of insurance agents.

It often happens that the agent has exhausted all his best arguments in a flood of oratory before the "prospect" has become convinced that he wants the insurance, and that there is nothing in reserve to make him want it more and more when he begins to invent reasons for delay.

The fact is that one should reserve his best shot for the last. He should be in position to heighten and deepen, and in every way to augment the "prospect's" desire for the insurance.

There is an analogy in the way the etcher practices his art. He first maps out the lines which he intends to be the darkest and deepest; in the same way the agent should first present, if possible, those arguments which are most solid and which appear stronger the more they are contemplated. Then after one acid bath the etcher sketches other lines, and the next bath both deepens the old lines and cuts the new ones on the plate. Thus the adroit agent reinforces his first arguments by others, and as each recurring bath of the etcher's plate perfects, and

completes the picture, so each new argument of the agent should support and reinforce harmoniously the effect produced by that argument which first made the "prospect" desire the insurance.

The final and conclusive arguments must be of such a nature as will render the thing more desirable and more desired. Bend your energies to that end. Hold back resolutely those arguments which will be the cap-sheaf, the corner-stone of your edifice. A keystone wrongly deposited at the base of the arch is no better than any other stone of the arch; indeed it may spoil the arch. But when it is placed where it belongs it binds the arch together.

So it is also with cleverly chosen arguments which have been held in reserve.

“CAN I AFFORD IT?”

This question is usually asked by a man who spends more every year on tobacco or other luxuries than would be required to purchase all the insurance he ought to carry.

In any case the agent makes a stupid blunder who undertakes to argue with the man directly about his financial ability to carry insurance.

What needs to be done is to so convince him of the desirability of insurance that he will not fail to put it ahead of something else for which he now spends money.

All your argument will not enlarge his income nor diminish his expenses. What you may be able to do is to convince him not so much that he can afford it as that he cannot afford to do without it.

It cannot be too much impressed upon an agent's mind that the best course is always to make the thing so attractive to the “prospect” that he talks down his own difficulties.

Soliciting is psychological and not merely logical and rational. It has the elements of fishing in it. Men are allured instead of being merely convinced.

The fact is that very little convincing remains to be done. Nearly everybody nowadays believes in insurance.

What needs to be done is to give the impetus to action.

And this requires the presentation of a motive to act. That is a problem in psychology and not in logic.

The secret of it in soliciting is: When you have discovered what attracts the customer and makes him want to insure at all, amplify it and dwell upon it.

When he presents objections and arguments for delay avoid the issue or give the points as little attention as possible, ever returning to the features which you know are tempting him to act.

His desire, if it gets strong enough, will talk down his own objections and silence them for good.

On the contrary, when you argue he is likely, after the manner of men, to take more warmly the other side.

BUT NOT SO SOON.

One of the cleverest editors of a company paper, John M. Hudnut, of the *New York News Letter*, once wrote a very valuable editorial based on the saying of a dying man: "I expected this, but not so soon."

That is just the trouble. Everybody expects to die some time. Death is not a risk, not a chance, but a certainty. The only chance there is about it is as to when it will occur.

Beneficent nature has so ordered things that men do not live with a constant fear of death, but instead live as if they were not to die. Therefore, it nearly always happens that when the summons comes it finds the person unprepared and ready to say: "I expected this, but not so soon."

Of course not; if death had been expected so soon he would not have gone into that last business venture; he would not have gone into debt for property; he would not have married and left a family dependent; in other words, he would have ordered his life very differently if he had expected to die so soon.

But it will not do for men to refuse to do enterprising things simply because they may die. They must proceed on the basis that they are not going to die so soon.

And still they may die, and many of them will die very soon.

What is the thing to do? Evidently it is to go ahead

as if life were assured, and to insure against its possible termination, so as to protect those who will suffer because of that unexpected and early demise.

One of the best arguments an agent can have in favor of immediate action on a life insurance proposition is that death finds these words on every lip: "I expected this, but not so soon."

MEETING OBJECTIONS TO CASH SURRENDERS.

In these days when agents are for the most part engaged in selling policies that provide for liberal cash surrender values, they will be met occasionally by arguments as to the safety and propriety of such contracts. Some of the arguments that are likely to be produced are answered herein according to the best ability of the writer to suggest reasons why cash surrenders are not dangerous to a company nor in any way undesirable.

The principal argument is that cash surrenders cause a larger number of persons to discontinue their policies, among whom also are a larger number of persons in first-class health, so that the lives remaining in the company are not of so high a standard of vitality as they were before the others deserted it.

The eminent actuary, Emory McClintock, of the Mutual Life Insurance Company, said, concerning this matter, before his company became a cash-surrender company: "A life company which retains its popularity does not in fact usually suffer on the score of vitality by reason of discontinuances."

Colonel W. H. Dyer, of the Berkshire, who has had a very long experience in life insurance, has quoted Mr McClintock's statement, and reinforced it as follows: "My own individual observation during more than twenty years' experience convinces me that among pol-

icyholders who surrender for cash values the impaired lives are a very much larger proportion than is the total of impaired risks in the company, compared with its total membership."

Another and apparently crushing reply is merely to compare rates of discontinuance in cash-surrender companies and other companies, and also to compare the percentages of actual to expected losses in these companies. When there is added the fact that cash-surrender companies exhibit practically as low rates of discontinuance and as low mortality as their competitors, and the further fact that the lowest rate of discontinuance in the world and the lowest mortality is in preëminently the most typical cash-surrender company of the world, the Australian Mutual Provident, the argument appears to fall to the ground.

The principal objection remaining is that in times of panic there might be a run on a company. There is something in that objection, too, although experience has shown that there have been no such runs. But it may be conceded that if the soundness of a company were questioned at such a time, or in fact at any time, there might conceivably be such a sudden demand for cash surrenders that it might have to succumb.

The moral of this is perhaps that managers should not permit their companies to become unsound, and they should not expect consideration if they do. Companies seek to protect themselves from the danger, however, by

one of two provisions, viz., either that the right to call for a cash surrender shall obtain only at the end of the policy year or, less commonly, that the company shall not be compelled to use more than a certain definite proportion of its funds to pay cash surrenders.

The third objection to cash surrenders is heard nowadays less frequently than of old. It is that they tempt men to sacrifice the protection of their families in order to obtain possession of small sums of money which they might as well do without. The pretense of paternal solicitude for the insured never had any great weight with applicants and need not be feared by agents.

HALTING BETWEEN TWO OPINIONS.

A novice in soliciting invariably gets alarmed when his "prospect" begins to interpose objections.

On the contrary, the wise veteran always feels at this juncture that he is progressing satisfactorily with his campaign. He regards the behavior of the "prospect" as evidence simply that he has already felt the force of the argument in favor of insuring at once, and is now grasping desperately for defenses. It means, in other words, that he has been dislodged from what hitherto he considered valid reasons for not insuring. He is now seeking new cover.

There is of course reason sometimes for meeting these objections. The agent should not, however, magnify the necessity for so doing. As a rule the "prospect" himself takes no great stock in them.

That the "prospect" should deign to mention these objections means that he has become interested, and that the insurance offered is attractive to him. The thing to do is not so much to remove the objections which he interposes as it is to augment the attractiveness of the insurance by all proper means.

If his desire is whetted to such a degree that he feels that he really must have the insurance he will buy it.

Objections are like the brake on the wheels of a wagon. They are valid and potent so long only as the traction has not been increased enough to drag the wagon ahead any-

how. Thus there are two ways to get the wagon ahead, one by removing the brake, and the other by increasing the traction.

If one could remove the objections in soliciting without letting up on the attractiveness of the insurance which constitutes the motive force, it would be well to devote time to it. The trouble is that generally the inclination to insure dies away while the agent is wasting his time on objections which were excuses and not really reasons for not acting.

THE WIFE'S OPPOSITION.

A more painful and embarrassing situation can hardly be imagined for a life insurance agent who has been endeavoring to induce a man to do his duty in the matter of protecting his wife and children from the possible consequences of his untimely death, than to be unexpectedly confronted with the active opposition of the principal beneficiary, the wife of the person addressed.

It is very much as if one had been refused by the owner of property when soliciting him to insure the same. It is but natural that many men should feel that they do not care to compel their wives to receive insurance money which they do not desire to have.

The origin of this opposition should, if possible, be investigated by the agent. In many cases it will be found to be religious in character, a lingering phase of the old idea, of the Greek and Roman theory, that it is man's duty to endure and not to resist or attempt to avoid misfortunes, which are to be considered acts of Providence and not accidents. Women, who retain longer than men their religious prejudices, have been peculiarly open to this superstition. They even shrink from insurance as if it were "tempting God," or making certain that the event insured against will speedily come to pass.

Where those objections exist, it will require all pos-

sible tact on the part of an agent to get a hearing at all. Very often they are not rational or well considered, but are merely instinctive repulsions of the idea of insurance which comes to them accompanied with vivid imaginings of a husband's death-bed. Probably the best thing that can be done is to present to the woman the best possible examples of the patronage of insurance by men whom she venerates and also by insisting upon the argument that the possession of life insurance through relieving the husband of worry as to the future of his family if he should be called away, greatly diminishes the probability of his succumbing to illness.

It will often happen, however, that there are other reasons which the agent may not be able to change. The wife may have had some project, requiring the expenditure of money. She may have a greed for saving money, not because of its uses, but because of natural avariciousness. She may know of some other use which she considers that her husband ought to put his money to. It may be that there are payments yet to be made upon the home or upon other property purchased.

If the agent can find out what really is the ground for her objection, he ought to be able to remove the same by showing that life insurance is a most excellent way to save and invest money, and that the possession of it is a means of protecting other investments.

Where the wife has felt that her own personal ex-

penditures are already unduly restricted it will be found a harder task to induce her to give her consent. It may be possible to do so, however, if the agent will, in the most delicate manner possible, suggest to her how much greater would necessarily be her privations if the event insured against should occur without there being any life insurance to fall back upon. Even this, however, will usually be found not to be effective. The most potent obstacle in the way of securing applications is that the money is urgently desired for some other purpose; and this is fully as effective with the woman of the house as with the man himself.

The best way often is to yield the point as far as the wife is concerned, and abandon the field. When a woman, by this sort of conduct, proves her incapacity for business, one is justified in the supposition that her husband will understand that fact and will, if given an opportunity, act independently of her. It has very often happened that the husband has been sufficiently impressed that it is his duty to insure, so that he has secretly done so despite the prejudice of his wife. While from motives of superstition or otherwise women have sought to prevent their husbands from insuring, no case is so far known of a woman's refusing to accept the proceeds of a policy, though taken without her knowledge or consent.

A gentleman, who was once superintendent of an agency of a certain company, tells of a case in his ex-

perience where the wife sought to prevent her husband from accepting a policy for which he had applied. In this case the policy was submitted to an attorney, and the husband promised to accept it anyhow if the attorney recommended it. One day not long afterward the wife and her father came into the office to pay the premium. Upon being pressed for a reason, it came out that the man was probably fatally ill. It thus proved that the woman was not averse to securing the insurance, now that it was likely to mature at once by her husband's death. It is very certain that this would be the case as to every woman who vigorously opposes her husband's insuring in her favor.

A FAVORITE COMPARISON WELL PUT.

An agent of a Western company recently had an experience in which he secured an application by a favorite old argument, because he had the skill to put it very cleverly. The argument was the analogy of life insurance to fire insurance, which latter practically every business man nowadays considers a necessity. The person approached was a lawyer who did not seem to be impressed by any of the ordinary arguments or to be attracted by insurance as an investment. The rest of the story is best told in the agent's own language.

"Pointing to a fine office building across the way, I asked the lawyer if he knew who owned that property. He said he did. I asked him if the owner should die and make him the guardian of the children and administrator of the estate, if he, as administrator, would continue to lease the building. He said he would, because that was the source of income upon which the widow and the children must depend for their support. I asked him if he should come to his office some morning and find the rented building a heap of ruins from a disastrous fire, and the building had no insurance, if he thought it possible for him, as guardian, to be successfully defended against the charge of criminal negligence for failing, by adequate insurance upon the building, to make provisions for those dependent upon the revenues of earnings from the building. He unhesitatingly ad-

mitted that any man who would neglect to make provision for the protection of those so dependent ought to be jailed in this world and damned in the next. I asked him if this looked anything like a life insurance provision where a family was depending upon the earnings of a husband and father. He looked me straight in the eye for an instant and said that the picture was a revelation to him, and he thought any man that could get it and would go without life insurance was a big fool."

I'LL TAKE THE CHANCES."

When pressed to take life insurance in order to protect their dependents, men sometimes make the inappropriate reply:

"I'll take my chances."

A quick-witted agent when confronted with this statement will be so far from discouraged that he will feel almost certain of landing the man.

For the answer to such a statement is the simplest in the world. The man is not taking the financial chances at all. He is merely compelling the helpless persons, whose interests are or should be a sacred trust to him, to take the chances.

Moreover, it is sure that, if he is a prudent business man, he would not himself take the chances which he compels them to take.

If he has property which pays him an income that would stop if it were destroyed by fire, you may be sure that he has it insured. If he had an income dependent upon the life of another he would certainly protect it by insurance.

Over his income he now exercises control as trustee for his family. Therefore, ought he not to protect them even more sacredly and certainly than he would protect himself?

Many a clever agent has replied in so many words: "My dear sir, you are not taking the chances; if you

were, I would not say another word. The real trouble is that nature has endowed us with such hopefulness that we do not feel that there is a chance of our dying right away. If it was somebody else's life and your income depended upon it, you would then be able to see it. Then you would insure, and it would require no persuasion. But it is your family that you are unintentionally compelling to take this hazard which in all probability you would never take yourself."

It is often worth while to show how much greater the risk is than the risks which the man does insure against, such as risk of fire, and how much more favorable the terms of insurance than the terms of fire insurance, or other insurance which he carries.

Thus, for instance, the risk of death at age forty is for the single year perhaps at least ten times as great as the risk of a detached dwelling being destroyed. Moreover, it is an increasing risk converging towards a certainty.

Then there is the additional risk of becoming uninsurable, a risk which, if it applied in fire insurance, would make a man even more prompt to insure than at present.

And none of these chances, sir, are you taking. You are compelling others to take them.

THE OTHER COMPANY.

It is related that a famous beauty made it a practice to keep about her women of the most unrelieved ugliness, in order that she might shine the more by contrast.

If this is true, she was not so clever as she was beautiful. Even a plain woman would look attractive by such a contrast. The triumph of a very beautiful woman would consist in being compared with the handsomest woman that she could find.

There are insurance agents who proceed on the same diplomatic theory as did this beauty. They seem to think that in order to render the policy which they are presenting most attractive, it is necessary for them to detract from the desirability of the policies of other companies. This they do largely by magnifying the demerits of the companies.

There is no credit to a company or to a policy in being better than the worst. No rational person would offer to buy a policy just because it was proved to be better than the worst.

If an agent is really clever he will use the other company as a foil; but he will also realize that to make the policies of that company seem wholly undesirable is to destroy their value for purposes of comparison.

Therefore, the agent should gladly concede the high character of a competing company and the general desirability of its policy.

Having done this, he will do well if he then delivers himself about as follows: "I am not selling insurance for that company, and I will not talk about it or its policy except as you may request me. If I thought it was offering a more desirable policy and a more salable one, I would seek an agency connection with it. I have no desire to talk it down. If you bought a policy there you would do a good thing. All that I hope to show is that you will do a better thing by insuring with my own company. Now, let me talk about my policy."

It will even pay to expatiate for some time upon the merits of the other company and its policy, especially as to those parts where the merits are common to both companies. A most fetching effect can be produced after having done this by going on to state those excellencies of one's own company and its policy which are not common to the other. Thus all the good things that one has said concerning the other company become strong arguments for insuring, not in the other company, but in one's own.

Even when the other company is bad, it is usually wiser, if the person addressed has confidence in it, to "damn it with faint praise," and then to proceed to blazon forth the excellencies of your own.

It is not what your competitor offers that you must rely upon to sell what you offer.

MEETING AN OFFER TO REBATE.

A successful agent of New York city, perhaps the most successful of all life insurance agents there, tells a good story of how he headed off a demand for a rebate. The story is worth repeating here because it illustrates how any capable and quick-witted agent may meet such a proposition from a competitor.

In this case the agent had a "prospect" who was considering a proposition for insurance. When he called for the second interview, the "prospect" said:

"Mr. Robinson, I can't do business with you. I have been offered much better terms by another company, larger and stronger than your own."

The agent assumed an air of utter chagrin and astonishment, not unmixed with perplexity, and he declared that he did not know that any company was giving better terms than his own. He asked for an explanation, exhibiting the utmost concern.

The "prospect" explained that he was offered a large concession off the first year's premium and, when pressed for the name of the company, gave it. The agent then, with visible and indeed audible relief, asked for the amount of the rebate, which was stated at 75 per cent.

All the lines of surprise and solicitude disappeared from the agent's face at once, and he sank back in his chair with an air of complete relief.

"Why," he said, "Mr. Jones, I assure you, that is very ordinary rebate for them, very ordinary indeed. I think I could get you 90 per cent. myself, and I have known several cases where they gave the whole first year's premium if the man took insurance enough. That is only the shave they feel compelled to make in order to have their policies look at all attractive, compared with several other companies. Really you would be robbed if you did not get more than that; you wouldn't get as good a deal as the average."

The emotions of the customer as this was being said unconcernedly, but frankly, could be plainly traced on his face.

"You pay for it all," continued the agent. "They take care of that. They fixed their premiums so as to allow this without loss. Why, sir, in comparison with that we will give you 150 per cent."

It was now the "prospect's" turn to be astonished, and he said:

"Surely you don't mean to tell me that you will give off the whole first year's premium and one-half the second?"

The agent carefully avoided the question by replying:

"We give you 150 per cent.; but we don't do it unless we know that you are going to continue. Of course you are not buying this policy for one year only. It is a twenty-year contract and you intend to keep it for the twenty years. Now as compared with their pre-

mium, we give you so much off each year, that is, a little over $7\frac{1}{2}$ per cent., so during the twenty years we have given you 150 per cent. We don't call it rebating. You may if you want to. The point is, anyhow, that for the 75 per cent. which they give you the first year, if you take their policy and go ahead, you pay them 150 per cent.

The "prospect" saw the point, and the offer of a rebate was thus successfully met in competition without granting one.

DON'TS.

NOT TOO MANY FIGURES!

The average novice in life insurance is disposed to indulge in figures; in fact, he overwhelms his "prospect" with figures.

Generally, if he is a successful agent, he will diminish the supply of figures until he hardly quotes more than the rate of one policy to any one "prospect."

From the standpoint of pure reason it would appear that in order to afford a man an opportunity to select intelligently, one ought to show him all the policies he has in stock.

Selecting goods, however, does not proceed on the line of pure reason; it is really a psychological affair. The purchaser is attracted, not by modes of conscious reason wholly or even principally, but by moods of unconscious selection.

Therefore is it that the clever salesman avoids confusing the buyer. Thus a clerk in a dry goods store gets out but one bolt of cloth for his customer. If that plainly does not please it is thrust aside and forgotten,

and he takes down another. These are presented, however, in succession, and the second is presented only when the first does not fill the bill. If he finds one that pleases pretty well but the customer requires to be shown other pieces, he shows them, but constantly reverts to the one that pleased pretty well, hoping thus to cause a higher desire for it.

A certain general agent in life insurance once devised a proposition form which made quite an imposing pamphlet, and gave figures for each form of policy offered by the company at the age of the "prospect." Those who consider life insurance soliciting an appeal to pure reason would expect such a form to be an aid to success.

That is, however, probably, precisely not the case. Any success that the agent in using it may have had is attributable to himself. He succeeded not because of but in spite of that proposition form.

For you may be sure he presented the virtues of one of the policies strongly, and, when the "prospect" looked at the other forms, he employed the same tactics as the dry goods salesman to bring the "prospect" constantly back to the form of policy which the agent had himself selected.

Unless your customer demands it, do not furnish more figures than are absolutely necessary to make him understand the policy which you wish to sell. Of course, if he should demand to see others, they should be ex-

hibited, and in that case there is sometimes a positive advantage in showing many policies, so that in confusion the "prospect" may fall back to the plain, simple proposition originally made to him.

DON'T THROW IN AN EDUCATION.

There are bright and capable general agents who take alarm at once about an agent's prospects for success when they see him devoting too much attention to mastering the intricacies of actuarial science.

This sense of alarm is not occasioned by their fear that he will know too much. An agent cannot possibly know too much about his business. The fear is that he will try to tell too much.

These general agents say that such agents are very likely to confuse their customers in a maze of figures and theories instead of bending their energies to interest them in life insurance and to convince them that they desire it.

The moral of this is not to avoid learning any useful thing you can about your business, but to avoid inflicting an elementary education upon persons who unsuspectingly grant you interviews, supposing that you are going to talk about something which will interest them.

These persons do not wish educations in actuarial lore. At least, if they do, you ought to charge them directly for the time devoted to educating them. If you will name a price per hour for this service, you will soon discover whether that is what they want.

If, in spite of the fact that their wants and your own both point to talking the merits of insurance in a very concrete and not in an abstract fashion, you do give

these persons actuarial educations, two things will result in nearly every case; first, you will have turned out very poor graduates in the science, and, second, you will have lost them as customers.

There are physicians who parade their technical lore before the admiring eyes of their patients, and these are not the physicians whom these patients employ when they are really sick. The still and studious man who has not devoted his time to educating them is the one who is then called in.

Know all you can learn, but do not feel called upon to tell all you know, in season and out of season, and especially not to the very man whom you wish to interest in the concrete benefits of life insurance. If you must have a class in actuarial science, practice on people other than those from whom you hope to draw your subsistence for quite another service.

DON'T MIX LINES.

There is an old warning from men who are wise with the experience of many drinking bouts that he who would put his comrades under the table should not "mix drinks."

Of course, a life insurance agent who expects to succeed does not drink at all, especially during business hours; therefore this warning has no special application to him.

But there is one very like it which is of the highest importance to him, and that is, "Don't mix lines."

Theoretically, the different branches of insurance are very closely related and might as well be attended to by one agent in a community. Practically they are the most uncomfortable bed-fellows or the most unmanageable team, to alter the simile.

"One thing at a time and that thing well done," applies with especial force to the work of an agent who hopes to be successful. There are, perhaps, a dozen agents in the entire United States who have made some kind of success in what may be called a general insurance business, including everything from hail insurance to health insurance.

Concerning these few, it may be that they are the exceptions which prove the rule. Moreover, their case may be characterized by the witty reply of a temperance advocate to the quotation of the case of a man who

had lived to be one hundred, although addicted to tobacco and whiskey. The temperance man said: "He might have lived to be a hundred and fifty if he had left them alone."

Nobody can tell how much more successful the proprietor of a promiscuous insurance agency might have been if he had stuck to one line.

But everybody knows who has examined into the matter at all that thousands who are successful in one line of insurance do make lamentable failures when they attempt to "mix lines."

It is a great temptation to the average life insurance agent when a line of fire insurance offers itself ripe for the plucking, as it is also to a fire insurance agent when an application for life insurance seems ready to drop off the tree. In both cases appearances are likely to be delusive. Of course, in sporadic cases the business does come without any effort; either agent may then be a broker in the other line for the nonce.

But danger lurks in it. The agent plying either line who permits his attention to be distracted by apparent opportunities to profit by changing the direction of his efforts will almost surely end in not making a success at all.

"Let the cobbler stick to his last" and the insurance agent to his particular line.

DON'T BE OFFENSIVE.

The art of selling being based on psychology, it sometimes happens that an agent is over-impressed with its psychological character, and is disposed to influence men by hypnotic means rather than by persuasion.

This is commonly the meaning of it when an agent thrusts himself too close to his customer, and especially when he gets right up to him and stares into his eyes.

Almost all men intuitively resent this conduct. The only exceptions are those weak individuals who feel that they are being honored by the agent's attentions. In their cases this system may be effectual, but it is not needed, excepting, perhaps, to crowd more insurance upon them than they ought to buy.

The agent who attempts to influence men in this manner runs a number of serious risks, not to speak of the gross effrontery and vulgarity of his conduct.

Aside from the great danger of provoking the resentment of his customer, he also runs the risk of offending by some disagreeable smell of his person or breath.

In this catarrhal country very few persons have agreeable breaths. In the case of most men the foulness of the breath is increased by the use of tobacco and liquors. It is no more than decent, therefore, to give your customer the benefit of the doubt, and to remain at a respectful distance from him.

Another effect of the catarrhal disorders peculiar to our climate is that the sense of smell is defective in many men. Thus the agent may not know that the odors of his own person are disagreeable. He should, of course, try to render this unlikely by the most scrupulous cleanliness, but some persons exude a stench which not even cleanliness will completely remove.

The only safe course is for the agent to hold himself sufficiently aloof from the man whom he is addressing to assure that he will not offend, either by appearing to be insultingly forward or by some offensive smell. Any gain that he thinks he scores by the hypnotic influence of his staring eyes is certain to be more than offset by the continual refusal of men to deal with him without assigning any reason therefor.

DON'T FACE THE WINDOW.

There are some small rules in soliciting which are of importance in inverse ratio to their size. One of them is: "Don't sit facing the light."

Did you ever, when a boy, experiment with a cat's eyes and observe how their pupils contract into the narrowest kind of a slit when exposed to a bright light?

To look into eyes which are thus contracted is not pleasant, and it is also not reassuring. The pain of such a light, likewise, causes one to shelter the eye with the lids and lashes. This gives him a furtive appearance.

If there is any one thing that a salesman should desire it is that he should impress his customer with the earnestness which he really feels. To fail to do this is fatal.

It might be different if the customer himself had any idea of what the cause of the contraction of the pupil and the closing of the lids really is. But the fact is that the customer usually will not know this, and that he will not even know that they are contracted.

The effect on him will be negative. It will merely mean that you failed to make an impression. Once in a while, of course, you may impress him in a sinister manner, but that will be an exception. As a rule the only result of locating yourself in an unfavorable light will be to diminish the potency of your plea.

There are some men who understand that you are at a disadvantage when so situated, and who locate their desks purposely so that the light shall shine on them from the rear, which is an advantage to themselves in their work, and also so that in negotiation with patrons they will have the advantage.

Commonly, however, the agent will be able to select his position, and he should avoid facing the window or a bright light.

DON'T OVERLOAD YOUR CUSTOMER.

One of the mistakes of life insurance agents is to press upon such of their patrons as are easily persuaded more insurance than they can carry.

This fault, no doubt, existed before, but it has been greatly aggravated by high-pressure systems, under which it is generally to an agent's interest to write a good amount of business at all hazards.

The natural penalty for overburdening customers is to lose the renewals on the business, the customers becoming unable to pay the premiums. A further penalty is to have their ill-will, and to have created among their acquaintances the sentiment that life insurance is not a good thing.

One reason, no doubt, why this evil practice obtains so frequently among agents who work under bonus contracts is that these agents usually escape entirely the first of these penalties, since they do not expect renewals at all, and in many cases also escape the second penalty because they do not operate long in one field. Of course, they do not get away unscathed; but the compensations may be dealt with in another place. Suffice it to say that to be compelled to move in order to do business, in order to avoid one's old customers, would be a sufficient punishment to most men.

In no part of the agent's work is it more desirable that he follow the old motto, "Put yourself in his place,"

than in this matter of overloading customers. There is a certain reasonable amount of insurance which a man with a moderate income can afford to take on. The agent should be so far from encouraging him to take more that, even if he discerns such a disposition on his "prospect's" part, he ought to discourage it by all proper means. He certainly ought to avoid any possibility that he would be held responsible for the mistake.

Customers who have purchased policies with which they are satisfied and which they are able to carry without difficulty are the best advertisements that an agent can have. The more such persons there are in the community in which he works the easier it ought to be for him to sell insurance. Precisely the contrary will be the case if any considerable number have been compelled to drop their policies because under his persuasion they undertook too much. Others will thus be led to look upon his persuasive powers with suspicion, and much of his argument will be lost.

NEITHER A PLUNGER NOR A PLODDER BE.

It is not necessary to refer to the old fable of the hare and tortoise other than to say that both of these types are familiar objects in insurance soliciting. Moreover, the best of both types are successful. The moral of the old fable, that it is only the tortoise that "gets there," is not applicable to soliciting.

The fact is, on the contrary, that in some lines of insurance soliciting, and especially in life insurance, the majority of all the successful agents commanding the largest incomes are those who have spurts of great energy with intervals of almost absolute indolence.

In fact the chief of the agency force of a large company once said at an agents' banquet in New York that this was the only kind of an agent that he believed in.

Notwithstanding which an officer of another company has told the story of a plain and unassuming man who worked as many hours as he could every day in the year and with a remarkable uniformity of production in spite of very decidedly inferior abilities.

The fact is that men of great energy and force are necessarily unequal at times. It is impossible for them to keep themselves keyed up to the highest pitch continually.

Some kinds of insurance soliciting require that at certain exigencies an agent should bring to bear all the

forces within him, and to fail to do this is to fail of success.

Naturally no man can do this all the time. There is, of course, reaction and relaxation. Nature demands a rest. If the agent does not take this rest he will find that he works for a time under a cloud, without being able to focus his attention as he ought.

The agent should have a due regard for the fact that the extraordinary strain upon mental energy calls for rest and reaction to recuperate his powers. If he will take this into account and act accordingly he will find that he need neither be a plunger nor a plodder.

DON'T CURRY SYMPATHY.

There is a pat, if somewhat hardhearted, motto which some business men hang up in their offices. It reads: "We have troubles of our own."

Perhaps nobody is more of a nuisance or more certain to fail of success than the agent who is constantly pouring his troubles, his disappointments, his difficulties into the ears of those whom he would have to deal with him.

If there were no other reason for not doing this the fact that he impresses a dolorous and depressed sentiment upon the conversation would be sufficient. It takes courage and spirit in a man to decide that he will insure. Depression and disappointment are inimical to this decision.

Moreover, where a man will take \$1,000 insurance out of sympathy he will take \$10,000 because you have convinced him that he wants it and have impressed him that you are accustomed to being successful in selling it. If you do not so impress him he thinks you must have something folks will not buy.

Men have troubles of their own. If you are bright, cheerful and apparently prosperous you may be able to cheer them up and make them more hopeful. This will not only induce the spirit which will result in an application; it will also induce an unconscious sense of gratitude to you which will result in the application going to you.

It has been said that misery loves company, but it has not been said that company loves misery. It is the other man and not yourself you must please. The commission which you will receive if you do your work so as to please him will please you far more than any sympathy that you might wring out of him.

Our American poetess, Ella Wheeler Wilcox, never wrote truer lines than "Laugh and the world laughs with you; weep and you weep alone."

If you have any weeping to do do it alone. For your customers save your smiles.

POLICY FEATURES.

THE FIRST APPEARANCE OF NON-FORFEITURE.

The New York Life Insurance Company was the first in the United States to introduce non-forfeiture policies. This was in 1863, and the policy was a ten-payment life, which, after two annual premiums had been paid, entitled the insured to a paid-up policy for as many tenths of the original amount as there were annual premiums paid.

This policy was not, as will be seen by its terms, really non-forfeitable even for a fractional amount, the insured being required to surrender the original policy and apply for a paid-up policy instead. Elizur Wright called this to the attention of the company and inquired whether, if this were neglected, the company would consider itself bound for the payment of the fractional amount. In reply, he received the following letter, which was printed in his report for 1865, as Commissioner of Massachusetts:

OFFICE OF THE NEW YORK LIFE INSURANCE COMPANY,

NEW YORK, March 4th, 1864.

HON. ELIZUR WRIGHT, Boston.

DEAR SIR:—Your favor of the second is at hand. We had supposed there could be no question in reference to the clause in our ten-payment policies. Whatever may be the legal construction, however, our practice has been, when such a policy ceases after two payments, to consider it a paid policy, even though the surrender should not have been made, and we consequently place it among our liabilities, and of course should pay it in case of death. Upon policies in which premium notes have been given, the company now requires that the surrender should be made within a year, as the interest on such notes is required to be paid annually; but for cash policies, no limitation is fixed.

I remain, with great respect, your obedient servant,

MORRIS FRANKLIN,

President.

Ten-payment life policies had been issued by nearly all companies before this time, but they had not been made non-forfeitable. The number of limited payment life policies, which were mainly ten-payment, issued in the year 1863, was as follows:

New York Life, N. Y., 1,707; Connecticut Mutual, Conn., 567; Mutual Benefit, N. J., 356; Union Mutual, Me., 219; Wisconsin Mutual, Wis., 149; Charter Oak, Conn., 116; Mutual Life, N. Y., 111; Home Life, N. Y., 101; Phoenix, 58; New England, 50; Manhattan, N. Y., 50; Knickerbocker, N. Y., 47; Massachusetts Mutual, 44; Equitable, N. Y., 44; Guardian, N. Y., 43; Ger-

mania, N. Y., 28; United States, N. Y., 25; Security, N. Y., 17; Berkshire, 12; National, Vt., 6; North America, N. Y., 1.

While none of the other companies had made such policies non-forfeitable up to this time, several of them followed the New York Life at no great interval, and the Mutual Benefit offered the alternative to the applicant either to take a limited payment policy of the usual form or, at a reduced premium, to take a policy which would bind the company only for tenths as the premiums were paid; that is to say, \$100 the first year, \$200 the second year, etc. The difference in the cost was about fifteen per cent. Thus at age thirty, \$52.33 per annum was charged for a ten-payment life policy and \$45.83 for the other form.

The popularity of the non-forfeiture plan in the New York Life was sufficiently attested by the experience of 1863. The next year nearly every company adopted the non-forfeiture idea and the result was that 11,068 limited payment policies were sold, instead of 3,828. The Mutual Benefit, New York, Connecticut Mutual, Ætna and Northwestern got much the larger part of this business, they having been the first to actively push the non-forfeiture feature.

THE BEGINNING OF CASH SURRENDERS.

When the Equitable of London began business in 1762 there was no expectation of cash surrender values in case of discontinuance, and for many years the company allowed none. Dividends were declared in the form of reversions, and just as the amount insured, for a very long time these reversions were also lost by discontinuance. The idea of a cash surrender value was first introduced in the form of purchasing these reversionary additions; and, after a time, one was permitted to surrender the additions for cash without surrendering the original policy. It was yet a long time before the original policies were themselves purchased by the company, and in fact they were purchased for a long while by persons looking for a profitable speculation before the company consented to allow cash on surrender.

About 1826, however, when Chas. Babbage published his *Comparative View of the Various Institutions for the Assurance of Lives*, there had been a considerable change in this particular. Very many companies allowed cash surrender values, according to Babbage, who says: "Most of the societies are willing to purchase their own policies; but the prices they offer are generally regarded as very low. This probably arises in some measure from some persons, who propose surrendering their policies, not making due allowance for the risk which the society has already run and for which it ought certainly

to be paid. Thus it happens that a person who has been paying £50 annually for ten years is surprised at the small sum offered for a policy which has cost him £500. He should, however, remember that the office has run the risk of his dying during that time, which event, had it happened, would have made them losers of perhaps £1,000 or £1,500."

It also appears that at least two companies, the *Ægis* and *Economic*, had already adopted the plan of stating in the policies definitely how much the company would pay. Thus the latter wrote on the back of the policy the amount which the company would pay for its surrender after the expiration of any number of years beyond five; while, as Mr. Babbage says in his preface, the *Ægis* "will at any time purchase any of its policies which have been granted for the whole duration of life, for one-third of the amount of all the premiums which may have been paid on it."

The author was himself strongly favorable to the payment of cash surrenders when desired. The following is his argument on the subject, which, it will be observed, strikes at the yet familiar pretense that the insured are not to be trusted to make the choice for themselves: "When a person resolves, annually, to lay aside a certain portion of his income to accumulate at compound interest, he has, after a few years, always a fund, to which on extraordinary occasions he can apply; and if any temptation of luxury or any expected expense

should present itself it is much more probable that he will encroach on this fund than resist the one or supply the other by a diminution in a different branch of his expenditures. If, on the contrary, he had employed the same sum in an annual premium for the assurance, it would require some time to elapse before he could dispose of his policy to advantage; and to whatever inconvenience he might be put, his premiums would probably be the last disbursement that he would allow to remain unpaid. The argument rests partly on the difficulty of getting, at a short notice, a fair price for a policy of some years' standing; a difficulty which I shall propose afterwards to remove. The inconsistency is, however, only an apparent one; on the whole, I believe it to be more advantageous to make the values of a policy known, and its property transferable to the greatest extent; and it will be easy for those who, feeling conscious of their inability to withstand temptation, wish not to possess so ready and immediate a mode of parting with their policy, to have that clause in it omitted (which is to bind the office to purchase it at a certain price), or else to allow some friend to hold it in trust."

EQUITABLE VALUE OF POLICIES.

The following are the closing words of the famous decision of the United States Supreme Court as to the rights of Southern policyholders under policies which had lapsed owing to the cutting off of communication by the rebellion: "We are of the opinion, therefore, first, that the company having elected to insist upon the condition in these cases, the policies in question must be regarded as extinguished by the non-payment of the premium though caused by the existence of the war, and that an action will not lie for the amount insured thereon. Second, that such failure being caused by a public war, without the fault of the assured, they are entitled *ex alquo et bono* to recover the equitable value of the policies, with interest, from the close of the war. It results from these conclusions that the several judgments and decrees in the cases before us, being in favor of the plaintiffs for the whole sum assured, must be reversed, and the records remanded for further proceedings. We perceive that declarations in actions at law contain no common rule applicable to the kind of relief, which according to our decision, the plaintiffs are entitled to demand; but parties were necessarily in the dark with regard to their precise rights and remedies. We think it fair and just that they should be allowed to amend their pleadings. In the equitable suit, perhaps, the prayer for alternative relief might be sufficient

to sustain a proper decree; but, nevertheless, the complainants should be allowed to amend their bill, if they shall be so advised. *In estimating the equitable value of a policy, no reduction should be made from the precise amount, which calculations give, as is sometimes done where policies are voluntarily surrendered for the purpose of discouraging such surrenders, and the value should be taken as of the day when the first default occurred in the payment of the premium by which the policy became forfeited. (The rates of mortality and interest used in tables of the company will form the basis of calculation.)* The decree in equity suit and judgment in the actions at law are reversed, and the causes respectively remanded to be proceeded in according to the law and the directions of this opinion."

This decision was concurred in by five judges, four, including the chief justice, dissenting. Only one of these, the chief justice, however, based his dissent upon the proposition that there was no such thing as an equitable surrender value. Concerning this matter, Chief Justice Strong gave his dissenting opinion: "This is incomprehensible to me. I think it has never before been decided that the surrender value of the policy can be recovered by an assured unless there has been an agreement between the parties for a surrender, and certainly it has not before been decided that a supervening state of war makes a contract between parties or raises an implication of one."

This decision of the Supreme Court is especially im-

portant, as it was the first declaration that there was an equitable right to have a surrender value, and that such surrender value, in the absence of a more explicit agreement, might be held to be the full reserve upon the policy.

AN ENGLISH AUTHORITY ON SURRENDER VALUES.

Actuary Newman, a distinguished member of his profession in Great Britain, recently delivered himself on the subject of the surrender values granted by some British companies in the following stirring language:

“I regret to record that it was commonly held in the early days of life assurance in this country, and even down to our own day, that a policyholder had no right, at any time, to a surrender value—that it was no part of the contract, and so on, very much after the manner of some of the extracts I have submitted to you to-night. Even now I observe in the board of trade returns such remarks as ‘The company do not undertake to make allowances on surrenders.’ ‘This office has no table of minimum surrender values.’ ‘The amount depends upon the circumstances of each case,’ and ‘No fixed rule is adopted.’ What is most regrettable in the above quotations is the acknowledgment that each case is dealt with arbitrarily, and that no rule seems to be adopted. It is impossible for an office to investigate the state of health of each case of surrender, nor is it done. A fixed reserve is held for each policy, according to rule, not according to caprice, and it is deplorable that an office should state that it deals with its retiring policyholder in an arbitrary manner. The probable explanation is that the surrender values allowed

by these offices are so small that they do not wish to publish them. This is, in my opinion, a short-sighted policy, and I trust that in time such statements will disappear."

The sentiment that every company should allow a just and fair surrender value upon discontinuance has gained such force in recent years that the company which resists the demand of the public in this regard certainly appears to put itself at a great disadvantage in the field.

THE GENESIS OF ANNUAL DIVIDENDS.

In the beginning life insurance companies did not contemplate dividends. It was fully expected in the Equitable Society of London that there would be little or no surplus. In fact most impartial critics expected the losses to exceed the premiums, and it was only after it was demonstrated that the London table, adopted when the society was founded by Thomas Simpson, reported a much higher mortality than the society was experiencing that a system of returning overpayments in the form of an increased insurance was adopted. These distributions, however, were made at long intervals.

The wonderful success of this society, which continues equally successful to this day, naturally caused many others to be organized, and quite as naturally influenced them to adopt plans closely similar. Of course there were departures every now and then which, it was thought, would bring increased popularity; but, on the whole, they stuck pretty close to the plans of the Equitable.

In the matter of divisions of surplus they followed the company so closely as to introduce no system of dividing surplus which called for divisions oftener than once in five years at least. Many of the companies did not divide oftener than once in seven years or ten years.

One reason given for this comparatively long period

was that it required such an enormous amount of labor on the part of the actuarial force, labor which was also very expensive. The work of an actuary being so little understood, this excuse was generally credited.

There was also offered a claim that by permitting the profits to accumulate they amounted to a very much larger sum for each individual surviving, being increased both by compound interest and also by decrement of the number who survived and whose policies were kept in force. This will be recognized as the modern deferred dividend argument, always more or less delusive.

The distinguished actuary, Charles Babbage, in 1826 combated these views as follows: "The reason assigned for these long intervals has been the difficulty of calculations on which valuations are founded. This difficulty has, I am inclined to believe, been considerably over-rated; and, by the aid of an improved system of keeping the accounts and tables properly adapted to the purpose it would be by no means difficult to assign annually to each assurer his proportion of the profits which may have accrued during the past year. Another system which operates more than perhaps will be allowed, both in this and in other arrangements, is that by dividing the profits at distant intervals a larger nominal sum is assigned to the assurers. It ought, however, to be remembered that the assurer is not really benefited by this specious appearance; and that, whether the money

given as a bonus accumulates in the hands of the society or in his own its amount will at the stated periods be precisely the same. It may be presumed that annual divisions of profit will be liable to fluctuate in their amount more considerably than those made at more distant intervals. This is likely to be the case, but the remedy is obvious; instead of determining the bonus by the profits of the preceding year alone it may be made from an average of any given number of the preceding years, the larger this number the more uniform the amount will be."

Singularly enough annual dividends were first adopted by the very oldest of all life insurance societies, the Amicable, which was, however, little better than an assessment society of the modern type, and which, although it sought to reform itself, was doomed to succumb because of the imperfections of its plans. Not long afterward, however, the annual dividend plan was adopted by other companies of a more permanent type; but nowhere abroad, except in Australia, has it been so popular as in the United States. Its adoption by the Mutual Life Insurance Company, followed by practically all other companies in this country, may be directly traced to the influence of Mr. Babbage upon the mind of Sheppard Homans, the actuary of the Mutual Life Insurance Company.

Mr. Babbage very thoroughly discusses the subject and gives the following final conclusion: "The system

of a septennial division of profits, which is the one most generally adopted, is preferable to that of the Equitable Society, but is still inferior to a period of five years, whilst an annual division distributes the profits with more regularity and justice than any other. In such a system the nominal sums apportioned may not be so large, but the real advantage to the assured is more uniformly distributed."

EARLY DIVIDEND PLANS IN THE UNITED STATES.

When dividends began to be declared by life insurance companies in the United States they took one of two forms, viz., they were either declared in the form of scrip, redeemable in cash after a certain number of years and bearing interest in the meantime, or else in the form of reversions, which are now known as paid-up additions to the sum insured.

The first of these forms was very soon abandoned. Its use in any company did not last so long as ten years. The rate of interest paid was ordinarily six per cent., and the advantage of the company's continuing to hold the money instead of paying it over in cash dividends was very doubtful.

The other plan of purchasing with the surplus paid-up additions to the amount insured was popular, and continued to be in vogue for a long time. Indeed, it still remains one of the optional forms commonly offered holders of participating policies.

The Mutual Life Insurance Company was one of the first to popularize this plan; and the great success of the company in its earliest years is largely attributed to its popularity. When later the companies all began to give annual cash dividends, the Mutual Life Insurance Company continued to declare its dividends in reversion, but merely added the privilege to convert those

reversions into cash, either at the time the dividend was declared or at any future anniversary of the policy.

It was quite a long time, however, after the adoption of the reversion plan before the company granted this privilege. Indeed, in 1859 the Commissioners of Massachusetts in their report called attention to the fact that not only did the companies which gave reversionary dividends refuse to permit them to be converted into cash, but also that when the insured lapsed such a policy by non-payment of premium he forfeited not merely the original insurance but also the dividend additions which were fully paid for. The impropriety and injustice of this was so manifest that it became one of the strongest arguments in favor of enacting the Massachusetts non-forfeiture laws.

DIVIDENDS AND INTEREST.

It is supposed that dividends and interest have a close connection, so close, indeed, that if the dividend paid by a stock company which commands confidence should become a materially larger percentage on its stock than the current rates of interest the price of the stock may be expected to rise so that the dividend paid will no longer be a very large rate on the investment.

In life insurance there is a closer connection between interest and dividends. The fact is that dividends depend in a large degree on the interest realized. As is well known there are three principal sources of dividends—salvage on the mortality estimates, salvage on the expense estimates, and interest over the assumed rate. At one time the interest gains were, on the whole, far the most important of the three. Nowadays gains from the expense provisions are almost nothing in most cases, and in companies which assume four per cent. as the rate required to make good their reserves the gain from interest is not large.

It is valuable for an agent when met by the objection that the dividends in life insurance have been declining to have in his possession some certain knowledge concerning the rates of interest which were earned in the good old days by life insurance companies. The knowledge will serve also to enable an agent to explain how it

has happened that the surplus estimates of those days have, as a matter of fact, proved disappointing.

As an illustration of the fall in interest the following statement of the rates of interest secured in 1872 is quoted from the *American Life Assurance Magazine* of 1873:

American Popular	7	Life Association of	
Anchor	7	America	10
Brooklyn	7	Mutual, New York.....	6½
Connecticut General	8	National Capitol	6½
Continental, Connecticut.	6¾	National, Vermont	7
Continental, New York..	7	National, New York....	7
Craftsmen's	6	National, D. C.....	6⅓
Delaware Mutual	6	New Jersey	6
Empire State	6½	Northwestern	7¾
Equitable	7	Penn Mutual	6
Germania	6¾	Phoenix Mutual	9
Globe Mutual	6⅓	Provident	6½
Government Security ...	7	Republic	9
Guardian	6½	Travelers'	7¾
Hartford	7½	United States	6½
Home, New York.....	7	Washington	7
Hope Mutual	6	World Mutual	6½

Many of the companies have passed out of existence, including the one which was at that time earning the largest rate of interest; but enough of them remain to institute a direct comparison, and the rates of interest secured by them in 1898 can be contrasted with the rates realized in 1872, for an explanation of the fall of dividends.

ANNUAL VERSUS DEFERRED DIVIDENDS.

Probably as long as mutual life insurance shall endure there will continue to be differences of opinion as to whether dividends should be annual or deferred for longer periods. The early practice in the United States was to declare dividends at periods of from three to five years; and it was only after a considerable time that the annual system came in. It became so popular that every company in the country adopted it. One of the first to urge it was Elizur Wright, then Commissioner of Massachusetts. In his report for 1863 he spoke as follows: "As a company by letting its reserve sink too low may insure its old members partly at the expense of the new ones, so by maintaining too high reserve it may commit the opposite fault of attracting new business at the expense of the old. While the surplus is kept accumulating the members who have contributed to make it are constantly passing away. Hence the importance of frequent periods of division. These periods are usually fixed in the charter, one, three or five years apart. The smaller the company the more reason for having the period long; and the larger, the less. The longer the period, especially if the company be a large one of many years' standing, the stronger is the demand of equity that the division should not only exhaust the surplus but be made with a regard to both the true margins of the actual premiums, and the ex-

cess of the actual interest over the assumed as applied to the reserve on each policy."

The argument for deferred dividends, which singularly enough became at a later date immensely more popular than annual dividends had been, is about as follows: The inducements to persist in life insurance, taking into account the known tendency to drop policies which one has taken, should be multiplied as much as possible. The best way to encourage this is to add to the fear of financial loss because of forfeitures, the expectation of financial gain because of surplus accumulations. Indeed, it is held with much plausibility **that the hope of reward is more effective than the fear of punishment**; and that the insured will persist in order to obtain a dividend when a surrender charge, deducted from the reserve, would not deter them from withdrawing.

The reason for this, it is thought, is because a deferred dividend period sets before the man a definite program which he has, before taking the policy, determined to carry out, and he thus has a definite end in view. It is considered that he is far more likely to work steadfastly up to the program under these circumstances than he is to continue what is merely a life insurance.

NO MONEY IN LAPSES.

Twenty-five years ago the public, which had become weary of inflated estimates as to annual dividends in life insurance, was led to believe that there was a great deal of profit to the companies in lapses, which profit could be speculated in by the insured through the purchase of policies, the dividends on which were to be divided only among those who survived and who kept their policies in force.

Some of the companies which sold these policies have given good returns. In fact, that has been the experience with most of them, although they did not pay so well as was estimated. It is well known, however, that a very small part of this profit was derived from lapses, and that in fact the gain from lapses was altogether disappointing to the companies themselves.

This was notwithstanding the fact that for a considerable period at least the books were not so kept as to make the increased cost of new business, caused by the harsh penalty for discontinuance, fall upon these policies. For some years, however, at least one of the great companies dealing in policies of this kind has kept its tontine accounts in such a manner as to charge each policy with its full share of the initial expenses, the policy not showing a surplus over the reserve until it has made good all its initial costs as well as its current costs.

The fact is that no more mischievous proposition was ever promulgated than that a life insurance company could, contrary to the usual conditions of business, make money by losing business. No amount of immediate gain can, on the whole, make it pay to lose its patrons if it intends to continue doing business. Moreover, such is action and reaction in commercial affairs that the effort required to get new business always has been strictly proportioned to the experiences men have had with companies, both while they remained in them and when they got ready to retire from them.

There is, perhaps, nothing that an agent can better afford to do than to urge upon his "prospects" that his company does not expect to reap a profit by treating them harshly if they are unable to continue, or if they do not desire to continue. Any estimate of increased profits to persistent members on account of such a course on the part of the company is sure to be misleading, and no agent should indulge in such a practice. This sort of thing should be abandoned to those fraudulent institutions which, although the old theory is exploded, are now seeking to prey upon the few persons who are not aware of it.

Every agent, whether working for ordinary or industrial insurance, should, therefore, everywhere inculcate the doctrine that there is no money in lapses.

INCONTESTABILITY.

Long ago, according to Actuary James, of England, there were British companies which offered policies that were incontestable. They charged an extra premium for them; notwithstanding which, their contracts were considered to be ill-considered and perilous.

There are many who suppose that incontestable clauses came into use because of the multiplicity of restrictions in life insurance. These restrictions were, indeed, burdensome and annoying, as one may easily understand if he will but read and try to comprehend the small print of a policy of thirty or forty years ago.

But the restrictions and conditions were not the immediate cause of the introduction of incontestable clauses. It would have been possible to do away with these provisions by merely wiping them out, which process would not have required a promise that the company would not contest payment. In fact, side by side with the introduction and progress of incontestable provisions, there has gone on a simplification and weeding out of restrictions.

In America the incontestable clause was an experiment undertaken by a great company, the Equitable Life Assurance Society, which earned a distinguished reputation as an enterprising innovator in life insurance. This was but one of its experiments, but it caught the

public fancy quite as much as any other of those adaptations which made the company marvelously successful.

If one will consider why to offer an incontestable policy proved attractive to the public, he will find the reason for the clause. The reason is that the public took a sinister view of life insurance contracts, owing to the fact that they were in those days rather frequently contested. The contests were very largely by companies which were managed by unscrupulous men, and which have since passed out of existence; but they reflected upon all life insurance companies.

The public did not understand all the grounds for contest. What they did understand was that each and every one of them desired to have a policy which would not leave his beneficiaries a lawsuit instead of a bank draft.

It might have been better, though not so immediately effective, to remove from the policies all those little understood clauses and provisions which made it possible to dispute in the courts the payment of claims. But the most fetching provision of all was to promise in the contract that after a certain number of premiums had been paid the company would not contest the death claim under any circumstances.

Notwithstanding this provision, companies sometimes have contested claims where the most patent frauds have been attempted. They have done this on the ground of public policy, holding that it would be almost

a crime to permit the fraud to be successful. Such cases, however, have been rare, and to-day, thanks largely to the incontestable clauses, the reputation of life insurance companies is probably clearer than that of any other sort of institutions in the matter of litigating claims.

THE SUICIDE CLAUSE.

In the early history of life insurance it was considered as plain a proposition that a death claim occasioned by suicide should not be paid as that in fire insurance a claim occasioned by incendiarism for the insurance should not be paid. The two things were deemed to stand upon the same basis, viz., that the insured or beneficiaries who claimed through him should not be permitted to profit by his own wrong.

The important difference that it is not the insured who profits by the payment of a life insurance policy was not at first apprehended. It soon came to light, however, when policies were assigned to purchasers for value or to creditors. It was so manifest that men are not likely to commit suicide in order to mature the policy in the hands of a stranger, that the companies felt compelled to abandon their position, so far as policies payable to such beneficiaries were concerned.

For many years, therefore, the anomalous condition existed that suicide claims were paid when the beneficiaries were purchasers for value or creditors, but were not paid when the beneficiary was connected only by ties of blood.

A distinction might here be made as to cases where it can be clearly proven that the purpose of the insured in committing suicide was to mature a life policy, or that the insurance was taken with a view to committing sui-

side, both of which cases constitute a fraud and would free the company from payment on that ground. This was recently decided by the Supreme Court of the United States in the now famous Runk case. It has always been good law, no doubt, but it has not usually been possible to prove the intent.

The ground upon which the retention of a suicide clause has been defended is precisely this fact that, while in very many cases, no doubt, the suicide was with intent to defraud life insurance companies, it could not be so proven. It was contended that the company should protect itself by refusing to pay suicide claims at any time.

Courts have always been unfavorable to these clauses, holding that where the companies had no proof of fraudulent intent or where from the circumstances of the case it could be not be fairly deduced, they should not dispute the claims. Juries were especially prone to this view, and many decisions have been given against companies directly in the face of such clauses. These decisions were largely based upon the proposition that the insured was not of sound mind when he committed suicide, and consequently was not responsible for the act.

One great company, the New York Life Insurance Company, has never had a suicide clause in its policies, and has contested suicide claims only when it possessed evidence that the self-destruction was with fraudulent

intent. Its mortality experience has been favorable; and one by one the other companies have abandoned the clause after the first, second or third years of their policies, retaining it only as a means of protecting them against applications for insurance with intent to commit suicide.

It would be interesting to compare the experiences of all these companies during the first years of insurance with that of the New York Life and other companies which have no suicide clauses. But the material for such a comparison has never been published. The suicide clause, as now employed by the companies, is a thing of small moment, being applicable for a very short time, and practically never being enforced even during that short time, unless the company is able to prove that fraud was present, either in obtaining the policy, or in the motive of the suicide.

GRACE IN THE OLDEN DAYS.

In these modern days we are often disposed to think that almost all the liberal features which we find in life insurance policies are innovations and improvements which our fathers were compelled to do without. Thus, for instance, the grace clause that is now becoming so common is thought by many to be a comparatively new thing.

To be sure one American company, the New York Life, has for many years had in all its policies a clause giving a grace of thirty days in payment of all premiums. But that example was not followed by most American companies until a very recent date.

The fact is, however, that long before our American companies had begun business the practice of granting grace had become very common in Great Britain. Thus, in 1826, when Actuary Charles Babbage published his book "Comparative View of the Various Institutions for the Assurance of Lives," he reported fourteen companies, several of which are still in existence, that allowed fifteen days' grace; one that allowed twenty days; one that allowed twenty-one days, and eight that allowed thirty days; there was also one allowing three months.

Some of these companies, and especially those which allowed but fifteen days, charged no interest, but most of them collected a fine, which was usually one per cent.

on the amount insured, or \$10 per thousand. Some of them, also, required a warranty that the insured was still in good health before they consented to receive the renewal premium, thus materially reducing the value of the grace. But in each case the company was holden during the period of grace for the amount of the policy, less the forborne premium, if the insured died.

PROMPTNESS IN PAYING DEATH CLAIMS.

Nowadays in the United States the practice of paying death claims promptly is so thoroughly established that a person involuntarily lifts his eyebrows in surprise when he learns of a company taking advantage of the clause in its policies giving it sixty or ninety days within which to pay a death claim.

It was, however, long the custom among American companies to require this, and when the period was reduced by some of them to thirty days there was a good deal of shaking of wise heads over the matter. It was considered, for instance, that the company ought to have time to investigate the case, and that this could not be done in a day or even a month.

Of course, on presenting such an argument it was not taken into account that the promise of immediate payment is not a promise to pay until the right to claim under the policy is thoroughly established. Thus no company, with its policy containing such a clause, would be required to pay the claim if it suspected fraud until it had taken time to investigate. The only real difference is that for the time elapsing from the presentation of proofs until the time the claim is paid the company would be expected to pay interest.

The great disadvantage to the beneficiary, however, of being required to wait when there is no doubt whatever concerning the claim was so manifest that even

before the companies abandoned the clause providing for ninety days within which to pay they relaxed in many cases to such a degree that part of the claim became payable earlier, and in some cases became payable immediately. Such a practice in Great Britain was reported as early as 1826 by the eminent actuary, Charles Babbage.

THE POWER OF ASSIGNMENT.

Many questions which are now regarded as thoroughly settled were, as late as the '70's, still open. For instance, there exists the peculiar fact that a life insurance policy which is not an endowment cannot, in the nature of things, be actually payable to the man himself. Still it early became customary to make policies payable to the executors or administrators or estate of the insured. The question then arose whether such a policy was the property of the insured, assignable by him; also the further question whether such an assignment, when made in good faith and for the consideration of love and affection to a wife or children, was good as against creditors when the insured afterward became insolvent.

All these questions came up for adjustment in a case which was decided in the courts of New York in 1873, concerning a policy on the life of Samuel Laird in the New England Mutual Life Insurance Company. Mr. Laird's policy was originally payable to his executors, and later was assigned by him by the interlineation "for the benefit of my daughter, Ann M. Laird, and my wife, Julia Laird." Upon his death the company claimed that the policies were forfeited on account of the transfer, and, he dying insolvent, his creditors claimed that the proceeds should be paid, not to the beneficiaries but to the administrator for the benefit of creditors.

The court decided that the administrator was not entitled, for the benefit of creditors, to more than the premiums advanced, with interest; that the contract, while made with the insured, was one which, in no event, could be payable to him, and, therefore, was not his property nor a part of his estate, and that the policies having been properly transferred, the assignees might recover and were proper parties to sue, and to the beneficiary the proceeds would enure, even if Mr. Laird were insolvent at the time of death.

The lines laid down under this decision have been followed in most subsequent decisions throughout the United States.

MODERN INNOVATIONS IN LIFE INSURANCE.

Some years ago Richard Teece, actuary and manager of the Australian Mutual Provident Society, read before the Insurance Institute of New South Wales a paper entitled "Modern Innovations in Life Insurance," in which he named many of the most remarkable changes which had been made in the terms of life insurance policies up to that time.

Incidentally he mentioned the following innovations in insurance which did not last: "We cannot, without an incredulous smile, read of companies for insurance against housebreakers, highwaymen, lying; for insurance for female chastity and the like; or of the 'British Apollo' for providing marriage portions, and in which the first claims were those of two members who paid their 2s. subscriptions and then married each other. We should look with some doubt on the moral influence of an office in which each member paid 2s. 6d. for each infant baptized until he had one of his own, on the happening of which event he was to receive £200; yet such offices as these existed in the halcyon days of the 'bubble' era."

He then referred, more or less deprecatingly, to ton-tine and coöperative life insurance, the first of which he condemned as speculative and deceptive, and the second

as speculative and dangerous. He made the following prediction, which has, as many know, been fulfilled in our day: "The tontine has now been succeeded by the semi-tontine, and I predict that it will be further whittled down until we shall be unable to distinguish it from the ordinary or life endowment assurance policy. I desire to distinctly disown any intention to impute bad faith to those who indulged such sanguine hopes and made such easy estimates regarding the results of tontine policies; they took the conditions which had been found to exist in a business which was known, and applied to them to make a forecast regarding one which was unknown, and they have not been the first prophets whose predictions have been unrealized. But while the tontine policy has failed to realize the expectations regarding it, while it has introduced what I believe to be an unhealthy spirit into the business of life assurance, there has been nothing dishonest in it; and disappointed policyholders will only have themselves to blame for their neglect to make themselves thoroughly acquainted with the value of the article they have purchased."

We have not reached yet the end of coöperative insurance in the United States, although the crash of society after society and the efforts at legislating them out of existence indicate that their day is passing.

Mr. Teece did not mention many of the innovations, which appear to have been good and which have come

to stay, like, for instance, non-forfeiture conditions, cash surrenders, grace in payment of premiums and loans.

Moreover, he does not mention, because it was not in common use, the instalment plan of paying benefits, nor, of course, the continuous instalment plan, which is a very recent innovation. He also does not mention the simplification of clauses in policies and the making of policies incontestable after a limited period.

Had he been writing at this day, he might have recorded the practically complete abandonment of the tontine plan by one of the leading companies engaged in the business. The Northwestern, in putting out its new policy, no longer writes tontine policies, nor even semi-tontine; but merely leaves the insured at the end of two years, when his first dividend falls due, either to select a deferred dividend period or take his dividends annually.

THE LOAN-NOTE PLAN.

The agents of this generation do not remember much about the loan-note plan which was exceedingly popular in the last generation. Its popularity did not prevent it from becoming exceedingly unpopular. The plan was to accept a note for a portion of the premium each year; and it was held out to the insured that the dividends would take care of the notes. For instance, a note was taken for 40 per cent. of the premium and the dividends were depended on to reduce the indebtedness year by year until it was wiped out.

Instead, as a matter of fact, the dividends proved to be smaller than the notes currently given, so that, in the actual working out of the plan, the indebtedness grew larger and larger, which meant that the interest charge on the insured grew larger and larger, while the amount to be received by the beneficiary in case of the death of the insured was smaller and smaller, because of the accumulation of notes to be deducted.

Some companies provided that the dividends should take care of the interest first, and the remainder be applied to pay the note; but the common practice was to require the insured to pay the interest, and to apply the dividend on the debt. In some cases either application might be made.

When John A. McCall, now president of the New York Life, was making a creditable reputation for him-

self in the seventies by his examinations of impaired institutions as deputy in the New York insurance department, he ran upon a peculiar sort of fraud that was practised under these policies. He referred to it in his report on the condition of the Security Life Insurance Company of New York, dated January 15th, 1877, as follows: "Premium-note and loan policyholders have been duped for several years by the form of receipt given, when their premiums were paid, as to the amount of their indebtedness upon said notes and loans. To explain: A, holding a note policy with liens against it to the extent of \$100, the interest being payable in advance, was notified to pay his cash premium, with an additional amount of \$4.20 for interest on notes. This latter sum would indicate, at 7 per cent. interest, \$60 principal outstanding; and he concluded, in consequence, that \$40 of the notes had been cancelled by profits. It is now shown that a small dividend was declared on note and loan policies and applied by the company in reduction of interest to deceive the policyholders as to the amount of note indebtedness, and to make, for the time being, a conviction in their minds that what had been promised as to 'dividends canceling notes' was being realized."

The trick could not have been played if it had not been that the insured were accustomed to having the dividend applied on the notes while they paid interest in cash, and that only the excess dividends over what

served to take care of an entire note was ordinarily employed to reduce the interest. The lower amount required on policies under the operation of this scheme threw the insured off his guard.

But the plan did not require such frauds to demonstrate its impropriety; it was bad enough without any such features. The downward trend of interest and the upward trend of expenses tended to render it impossible for companies to pay as large dividends as in the past. Consequently the plan disappointed the insured more bitterly than any failure to earn the estimated surplus on an investment policy conceivably can disappoint. Perhaps nothing can be imagined that would serve to disgust a man with life insurance more thoroughly than to be confronted with increasing premiums and decreasing insurance at the same time. Either one is bad enough, but, combined, they are enough to account for the unpopularity of life insurance in the later seventies, even though there had been no question of the soundness and solvency of the companies. Thus, an actuary whose company has had much experience with this business, said recently: "No amount of explanation will ever satisfy the insured who opened a contract on the premium-note system early in life and reached advanced age."

ARE PREMIUM NOTES SAFE?

In asking the question "Are premium notes safe?" no reference is intended to be made to the mere taking of notes now and then, when the amount is sufficiently secured by the value of the policy or other security. Reference is had merely to a form of life insurance which was popular both in this country and Great Britain for a long time and was familiarly known as the "premium-note plan." Under it a note was taken for a certain part of each premium, varying from 30 per cent. to as high as 50 per cent. throughout the life of the policy, the same to be reduced by dividends.

During the time that this system prevailed and was popular it was often questioned whether it was safe or not, meaning whether it was safe for the companies. As a matter of fact, many of the premium-note companies did fail, but their failure was hardly due to losses of funds on account of the premium-note system. On the contrary, the survival and continued success of many other companies which indulged in the plan give evidence that it was not necessarily dangerous to the companies.

There is another side to this view of this question, viz., its safety to the insured. If there can be found within the entire territory of the United States a single person who has survived to old age and continued in force a premium-note policy who is not dissatisfied, that

person deserves to be put in a dime museum as its star curiosity.

The result of the system has been, as everybody knows, an augmenting accumulation of indebtedness against the policy, equivalent to diminishing the amount payable at death, accompanied by an increasing cost, owing to the interest. Neither increasing cost nor diminishing insurance has been very popular; and both together——!

It was seen long ago that this must be the case, and early in the '70's Gustavus W. Smith, ex-commissioner of Kentucky, in his valuable work, *Notes on Life Insurance*, put the matter deftly and adroitly as follows: "A life insurance company can, *with safety to itself*, accept the notes of a policyholder in part payment of the 'net annual premium' and the amount of these 'notes' or 'loans,' bearing net or table interest, may equal but must not exceed the deposit. The deposit increases from year to year, and the notes or loans may be increased to the same extent, but no more. The notes or loans must be deducted from the face of the policy at maturity; therefore, the amount actually insured becomes less and less each year. The question is not: 'Can a life insurance company safely accept notes in part payment of the annual premiums?' but rather: 'Can a policyholder, for any great length of time, afford to accept the credit proffered by the company?' "

MORTALITY TABLES AND STATISTICS.

A MORTALITY TABLE FROM THE ANCIENTS.

The earliest mortality table known was made by the Prætorian Præfect, Ulpian, an eminent commentator on the Justinian code. The following is given by Mr. Hendricks, a famous British actuary, concerning the origin of the table: "About the time of the division of the Roman Empire (A. D. 364) the Falcidian law was in force, which prevented a testator from leaving more than three-fourths of his property to any others than constituted heirs. The Roman lawyers, therefore, found it necessary to consider and frame a table by which the annuities could be valued, so as to meet the requirements of this law. It was then that Ulpian produced the table given below, and which, considering its general accuracy, affords considerable room for conjecture as to how the materials for constructing the table were obtained. We know, and have already referred to the fact, that in the Roman Empire careful enumerations of the people living, from time to time, took place. But we have also seen that from the construction of mortality tables a

careful record of the births and deaths, and also of the ages at death, is required; and we have no knowledge that a record of births was observed, although we have previously noticed that deaths, at least when above a certain age, were recorded."

The table is as follows:

<i>Age.</i>		<i>Expectation of Males and Females, Roman Life. (Ulpian.)</i>	
Birth to 20.....	30 years.		
20 " 25.....	28	"	
25 " 30.....	25	"	
30 " 35.....	22	"	
35 " 40.....	20	"	
40 " 41.....	19	"	
41 " 42.....	18	"	
42 " 43.....	17	"	
43 " 44.....	16	"	
44 " 45.....	15	"	
45 " 46.....	14	"	
46 " 47.....	13	"	
47 " 48.....	12	"	
48 " 49.....	11	"	
49 " 50.....	10	"	
50 " 55.....	9	"	
55 " 60.....	7	"	
60 and upwards.....	5	"	

Taking into account the fact that this table was made at the time when there was very little knowledge of the science of statistics, and also when statistics were limited, it is of remarkable correctness when compared

with modern standards. Indeed, it may have been a just representation of the mortality of those days, for all we know. There was nothing like modern life insurance, and the only use made of the table was in computing values of cash annuities settled upon persons by the deeds or the wills of others.

THE OLDEST MODERN MORTALITY TABLE.

The oldest of all modern mortality tables was evolved from certain British statistics by John Graunt, Fellow of the Royal Society, in a book entitled "Natural and Political Observations Upon the Bills of Mortality." This book appeared early in the 17th century, the third edition bearing date of 1665.

Graunt did not attempt to graduate by single years of age. Decades are near enough for him. But let him tell his own story:

Whereas, We have found that of 100 quick conceptions about 36 of them die before they be six years old, and that perhaps but one surviveth 76; we having seven decades between six and 76, we sought six mean proportional numbers between 64, the remainder living at six years and the one which survives 76, and find that the numbers following are practically near enough the truth, for men do not die in exact proportions, nor in fractions, from whence arises this table following:

Of an hundred there die within the first six years.....	36
The next ten years or decade.....	24
The second decade.....	15
The third decade.....	9
The fourth	6
The next	4
The next	3
The next	2
The next	1

From whence it follows that of the said 100 conceived there remains alive:

At 6 years' end.....	64
At 16 years' end.....	40
At 26	25
At 36	16
At 46	10
At 56	6
At 66	3
At 76	1
At 86	0

It is noteworthy that the author was not content to deal only with persons who are born alive, his statistics extend to cover all lives from the date of conception forward.

FIRST MORTALITY TABLE USED.

While there were two mortality tables at least known before that date, the Ulpian and the Breslau tables, the first table to be actually used in life insurance computations was the "London," constructed by Thomas Simpson from mortality statistics of London for the use of the Equitable Society of London. It was put into use at the beginning of the company, about 1760. Of it Mr. Simpson says, in the preface to his volume, "The Doctrine of Annuities and Reversion," published in 1775: "For in the first place I have given a very exact table for estimating the probability of life, deduced from ten years of observations on the bills of mortality of the city of London, whereupon the succeeding calculations are grounded."

The manner in which the table was deduced is not described; but as it was from deaths only it was doubtless accomplished in a manner similar to the construction of the Breslau table. The mortality of London at that time was high, and the system of graduation tended to exaggerate the mortality at earlier ages.

Mr. Simpson was contemporary with the famous actuary, De Moivre, who constructed a mortality table on a purely mathematical basis without any direct reference to mortuary statistics. The discussions between the two men led to the founding of two schools of actuaries, viz., those who held that mortality tables should

be in strict accord with statistical facts and those who held that, on the contrary, a rule of mortality might be developed which would be more reliable than a table derived from statistics.

The London table constructed by Mr. Simpson and adopted by the Equitable of London was as follows:

<i>Age.</i>	<i>Living.</i>	<i>Dying.</i>	<i>Age.</i>	<i>Living.</i>	<i>Dying.</i>
0	1,280	410	25	426	8
1	870	170	26	418	8
2	700	65	27	410	8
3	635	35	28	402	8
4	600	20	29	394	9
5	580	16	30	385	9
6	564	13	31	376	9
7	551	10	32	367	9
8	541	9	33	358	9
9	532	8	34	349	9
10	524	7	35	340	9
11	517	7	36	331	9
12	510	6	37	322	9
13	504	6	38	313	9
14	498	6	39	304	10
15	492	6	40	294	10
16	486	6	41	284	10
17	480	6	42	274	10
18	474	6	43	264	9
19	468	6	44	255	9
20	462	7	45	246	9
21	455	7	46	237	9
22	448	7	47	228	8
23	441	7	48	220	8
24	434	8	49	212	8

<i>Age.</i>	<i>Living.</i>	<i>Dying.</i>	<i>Age.</i>	<i>Living.</i>	<i>Dying.</i>
50	204	8	66	93	6
51	196	8	67	87	6
52	188	8	68	81	6
53	180	8	69	75	6
54	172	7	70	69	5
55	165	7	71	64	5
56	158	7	72	59	5
57	151	7	73	54	5
58	144	7	74	49	4
59	137	7	75	45	4
60	130	7	76	41	3
61	123	6	77	38	3
62	117	6	78	35	3
63	111	6	79	32	3
64	105	6	80	29	..
65	99	6			

HISTORY OF MORTALITY TABLES.

The history of mortality tables is decidedly modern history. The first modern table was by John Graunt, constructed from mortality in London; it was first published about 1640, and was graduated only by decades.

The first table graduated by years of age was constructed by the philosopher, Halley, from the statistics of Breslau, Germany. It appeared in 1693.

The Breslau table, as well as the Graunt table, was never used in insurance computations. The first table to be constructed for actual use in these computations was by rule, and not from any actual experience. It was the work of A. De Moivre, and bears date 1725. The author proceeded on the basis that the number of deaths at each age were uniform, the number of the living at each age decreasing, so that the percentage of deaths increased. That is, the numerator of the fraction was constant and the denominator decreased, thus increasing its value.

The first mortality table deduced from statistics and used in insurance computations was compiled by Thomas Simpson, actuary of the Equitable of London, and published in 1752.

From that time forward progress was made in both methods of graduation, the two schools contesting the field until our day, one insisting that natural graduation was alone useful, and the other that mechanical or arti-

ficial graduation could be modified so as to express the law of mortality with great accuracy.

The first table to become standard was the Northampton, published in 1780 by Dr. Richard Price. This was drawn from population statistics without mathematical graduation. Dr. Price was an uncompromising foe of graduation by rule.

The success of the Northampton table and the greater success of the Carlisle table, also drawn from population statistics, graduated by natural methods and published by Joshua Milne, actuary of the Sun of London, in 1815, seemed to close the door to the mathematical rule advocates.

This was followed by the first table from insured lives drawn from the experience of the Equitable of London and published in 1825.

The same year the mathematical school put forth an epoch-making work by Benjamin Gompertz, showing a new and improved system of approximate graduation by formula.

This was followed in 1832 by a study of the subject by T. R. Edmonds, who discovered and named the "force of mortality," and showed how that function might be employed to map out the curve.

The system of graduation by natural methods had also been developed until the graphic system had arisen to smooth out its irregularities. This was apparent in the Carlisle table, and still more in the first combined

experience table, which was the 17 Offices or Actuaries' table appearing in 1843.

The next valuable tables to appear were drawn from extensive population statistics in England and published by the government statistician, Dr. Wm. Farr, in the years from 1845 to 1865, culminating in his great "Tables No. 3," male and female.

Contemporaneously with these, in 1860, appeared Makeham's formula in a communication to the Journal of the Institute of Actuaries, which formula has harmonized the two schools and made graduation by rule the handmaid of graduation by natural methods.

The importance of this discovery was so far from being immediately realized that in the graduation of the Institute of Actuaries' or 20 Offices' table, which appeared in 1869, a formula drawn from the principles of the graphic system was employed.

When the Institute of Actuaries' Text-Book was published in 1887, the H^m table, which was the most important table in the Institute of Actuaries' tables, was presented in a new form, being graduated according to Makeham's formula.

A similar regraduation was made of the French Actuaries' tables, the old graduation being withheld from the public. These tables appeared in 1895.

The validity of the Makeham formula as an expression of the law of mortality is now generally recognized; its value lies in its applicability to smooth the irregu-

larities of statistics and its adaptability to the purpose of approximating the rest of a table, some part of it being known.

The principal tables in use in Great Britain are the H^m and the Carlisle; the principal tables in use in America are the Actuaries' and the table misnamed "American Experience," which is an adaptation of the Actuaries', by assigning a lower mortality at some ages and shortening the ultimate limit of life.

EARLY AMERICAN MORTALITY EXPERIENCE.

In the early Massachusetts reports the experience of the various life insurance companies was collated, giving the years of life exposed at each age, the actual deaths, the expected deaths according to the table, and the percentages.

These tables began to be published in 1862. The experience was also divided into three classes, viz., on life policies which were five years old or more, on life policies which were less than four years old, and on endowment and term policies, which latter the commissioners grouped together.

The actual deaths in the year covered by the report were 1,364, and the expected were 2,019. On policies more than four years old the expected deaths were 1,325, and the actual 1,006. On policies four years old or less the expected deaths were 558, and the actual 253. On term and endowment policies the expected deaths were 135, and the actual 105.

The oldest policies had been in force for nineteen years.

The following year the commissioners gave the mortality for 1862 and also for the four years previous combined. The figures for the latter were as follows: Expected deaths, 2,936; actual deaths, 2,068. An inter-

esting classification was made in this report showing the deaths by groups of ages, viz., under twenty-five, expected deaths, 45; actual deaths, 43; from twenty-five to thirty-nine inclusive, expected deaths, 881; actual deaths, 641; from forty to fifty-five inclusive, expected deaths, 1,384; actual deaths, 956; over fifty-five, expected deaths, 626; actual deaths, 429.

Similar tables were published again the following year showing the results of the five years previous, which were: Expected deaths, 4,052; actual deaths, 2,941. And again in 1865, covering the six years previous, the total expected deaths being 5,585, and the actual deaths 4,123.

It will be observed that the mortality was about twenty-five per cent. lower than the expected. It was thought at the time that this was owing to the fact that the experience was on lives so recently selected; but experience since that time has shown that the average mortality among American companies is not very much, if any, higher than seventy-five per cent. of the expected deaths, according to the Actuaries' table.

Individual companies have had a considerable higher experience than this, and many companies have had higher experiences during individual years, but the average obtained by the Massachusetts commissioners was much nearer the truth than they at the time suspected.

EARLY AMERICAN TABLES.

The first American table of mortality dates back to 1789, and is known as Wigglesworth's table of mortality. It was compiled by Professor Edward Wigglesworth, of Harvard University, from bills of mortality in certain parishes in Massachusetts, 62 in number. The whole number of deaths was 4,893. The following is the table in periods of five years, instead of one:

<i>Age.</i>	<i>Persons Living.</i>	<i>Decrements of Life.</i>	<i>Expectation of Life.</i>
0	4,893	1,264	28.15
5	2,951	58	40.87
10	2,715	28	39.23
15	2,579	42	36.16
20	2,365	43	34.21
25	2,154	40	32.32
30	1,962	38	30.24
35	1,772	35	28.22
40	1,597	35	26.04
45	1,423	27	23.92
50	1,288	27	21.16
55	1,153	27	18.35
60	1,018	27	15.43
65	883	37	12.43
70	698	37	10.06
75	511	37	7.83
80	326	35	5.85
85	155	21	4.57
90	52	8	3.73
95	16	6	1.62
99.....	1	1	....

The Wigglesworth table was adopted by the Supreme Court of Massachusetts as a rule for estimating the value of life estates. According to the late C. C. Hine, editor of the *Monitor*, there is "a most remarkable correspondence between this table of Professor Wigglesworth and the results of the census returns as deduced by Mr. Meech."

Another early American table is known as the Pennsylvania table, and dates back to 1814. It was employed by the Pennsylvania Company for Assurances upon Lives, which was founded in 1812. It was drawn from reports of the Philadelphia Board of Health and the records of the Episcopal Church. Only the expectation of life is given, which is as follows:

Age.	Board of Health Episcopal Church	
	Expectation.	Expectation.
1	25.96	30.91
5	36.94	37.91
10	34.59	37.12
15	30.92	34.10
20	27.04	30.60
30	21.48	25.50
40	19.15	21.44
50	16.32	17.32
60	13.71	13.75
70	9.83	9.37
80	6.97	5.95
90	4.73	....

The earliest census table of mortality was based on the census of 1850, and was constructed by Joseph C.

G. Kennedy, Superintendent of the Census. He gave mortality tables for the States of Massachusetts and Maryland. The same data were afterwards worked over by E. B. Elliot, so far as the State of Massachusetts is concerned, with the following table as a result:

<i>Age.</i>	<i>Living.</i>	<i>Age.</i>	<i>Living.</i>
0	10,000	50	4,409
5	7,146	60	3,597
10	6,873	70	2,475
15	6,726	80	1,059
20	6,437	90	118
30	5,748	100	2
40	5,078		

THE MUTUAL LIFE AND THE AMERICAN
EXPERIENCE TABLE.

When the Mutual Life Insurance Company was organized in 1842, Prof. Gill was selected for its actuary, and was asked to supply a suitable table of mortality. For this purpose he took the Equitable Experience, the Swedish table, and a number of other tables, and made a composite table which embodied their average experience; and the premiums were deduced from this table. It is said that this table was afterwards submitted to various English actuaries and was approved by them.

Later the company came to use for its own private computations as well as for its reports, the 17 Offices' or Actuaries' table; and Sheppard Homans, who was then its actuary, gave strong support to Elizur Wright in his efforts to cause this table to be generally accepted, and also in his efforts to enforce net valuations among American companies.

In 1859, Mr. Homans produced in a report of the Mutual Life Insurance Company a new table of mortality, which he called "An adjusted rate of mortality according to the general experience of the Mutual Life Insurance Company of New York, for 15 years ending February 1, 1858."

Nine years later, in 1868, Mr. Homans published a

mortality table which was given the name "American Experience Table." The table was at once adopted by the State of New York as its standard, with the condition that the Superintendent might use other standards for companies from foreign countries and for "invalid lives and for other and extra hazards."

The table was afterwards adopted by a number of other States, although it did not succeed, as many had expected, in completely ousting the Actuaries' table.

THE FIRST MORTALITY TABLE FOR ANNUITANTS.

If we except the old Roman mortality table known as the Ulpian, which was constructed for the purpose of valuing annuities left to persons by will, and of valuing reversionary interests, the first table actually constructed for the purpose of determining the value of annuities, and certainly the first constructed for the purpose of determining at what price annuities might be sold, is that by John de Witt, the Grand Pensionary of West Friesland.

Strictly speaking, de Witt did not construct the table. What he did was to lay down certain fundamental propositions as follows: "That out of a given number of lives the same number would die from age 3 on, every half-year of life for 100 half-years, or until age 53 was reached." Thus he considered that out of 128 starting at age 3, one would die every half-year, leaving twenty-eight living at age 53.

Then for the succeeding ten years he would expect one to die every nine months, leaving 15.66 living at age 63. Then one every year for ten years more, leaving 5.66 at age 73. Then one every year and a half for seven years, leaving one alive at age 80, who himself dies during the ensuing six months.

SELECT LIFE TABLES.

The mortality tables which are at the present time in common use as standards are made up from the experience of life insurance companies, including the earlier years of insurance when the mortality is greatly modified by recent medical selection.

This sort of a table in the minds of the unsophisticated would seem to be entitled to the name of "select life table." But, on the contrary, what is really meant by that name is a table which exhibits the effect of adverse selection, or the wearing off of selection, so that it is thought to represent the normal mortality in a company after the advantages of recent selection have passed away.

The method by which these tables are constructed is by throwing out all lives which have been insured less than five years, for instance, and making the mortality tables from the experience on the remaining lives which have been insured for a longer period than five years. In this manner the first five years after insuring are omitted, and the mortality at each age for each of the first five years of insurance is separately computed.

It is held by many of the most eminent actuaries, both in this country and abroad, that the true method of computing life insurance premiums is to take into account what would be the mortality upon, say, 1,000 freshly-selected lives at each age. That is to say, there

should be a special mortality experience for the first, second, third, fourth and fifth years of insurance; and after that time it may be expected that the life will present only the risk of the ordinary or normal mortality experience.

Dr. Thomas Bond Sprague, one of the most eminent and learned of the British actuaries, has given especial attention to this subject of select life tables, and is responsible for the construction of such a table from the data employed in the construction of the celebrated H^m tables. His work has attracted great attention throughout the world, and has been widely discussed and employed in many instances.

The Canada Life Insurance Company, in publishing its experience gave mortality tables deduced therefrom in the ordinary form, and also select life tables, which are of the very highest interest as exhibiting the ordinary course of mortality in a well-conducted American company.

The fact, however, that a select life table was more suitable was early discovered and appreciated. In fact, in the publication of the experience of the Equitable Society of London from its foundation in 1762 to 1829 by Actuary Morgan, the mortality was so analyzed as to show the effect of selection, not merely after five years, but after much longer terms. Actuary Samuel Brown carried this still further by constructing the following table, showing the mortality per cent. between

quinquennial periods of age, out of 100 persons existing at each period, and admitted respectively at intervals preceding, increasing by five years.

Between the ages of	Rate of mortality on all persons taken collec- tively.	On 762 persons assured at the age of 30.	On 743 persons assured at the age of 35.	On 615 persons assured at the age of 40.	On 470 persons assured at the age of 45.	On 321 persons assured at the age of 50.
30 and 35.....	0.77	0.70	....	....	....	....
35 " 40.....	1.05	1.12	1.09	....	....	....
40 " 45.....	1.14	1.39	1.27	1.08	....	....
45 " 50.....	1.35	1.72	1.45	1.22	1.09	....
50 " 55	1.89	2.04	1.75	1.72	1.79	....
55 " 60.....	2.50	2.94	3.70	2.00	2.44	....
60 " 65	3.33	4.76	4.35	3.85	3.85	3.57

By reference to this table it may be seen that the mortality among persons between 60 and 65, for instance, was 3.57 if they only had been insured between ten and fifteen years; 3.85 if they had been insured from twenty to twenty-five years; 4.35 if they had been insured from twenty-five to thirty years, and 4.76 if they had been insured more than thirty years, while the average mortality in the company, including those who were insured for a term less than 10 years, or men of those ages, was only 3.33.

A similitude between this experience and what is known as post-tontine mortality in the United States will easily be traced by the reader.

CONTEMPORARY OPINIONS OF THE ACTUARIES' TABLE.

It has been frequently said that the Actuaries' Table never became standard in Great Britain. This is true, notwithstanding the fact that it was constructed by men who were among the most eminent actuaries of that time, and also notwithstanding the fact that credit was given them for the excellence of their work. The failure of the Actuaries' Table to become standard was owing to several things. In the first place, there were two tables in use already, one of which, the Northampton, having been longest in use, was clung to by the ultra conservative offices, and the other, the Carlisle, so nearly corresponded to the Actuaries' that few companies cared to discard it to use the Actuaries'.

Another reason was that the Actuaries' was regarded, as the Thirty American Offices Table has been regarded in this country, as a "junior table." That is to say, by far too many of the lives dealt with had been insured but short periods of time.

The principal reason, however, for not following the table was because it was made from policies or amounts of insurance, and not from lives. This system did not suit the exceedingly exact and particular actuaries of Great Britain. It was the best they could do, to be sure, and so they employed this plan of constructing

the table, but they showed that they did not consider their work of the highest value because they did not insist upon its use. The construction of a table by policies instead of lives is a thing, however, which is mainly objectionable when a small amount of insurance is dealt with. The difference in results diminishes with the increase in the amount of data.

Perhaps the most peculiar thing concerning the refusal of actuaries and companies to adopt the Actuaries' Table as a standard is that they were positive that dire calamities would flow from its use. The following expression of opinion by Samuel Brown, a famous actuary of London, published in the *Post Magazine*, in 1847, will illustrate what the state of sentiment was in Great Britain concerning this matter: "The collection of facts which we have described is extremely interesting; and if it be looked upon as an installment of future information, or the publication as an example to be followed by other companies, whose longer experience will add to their practical value, the public will have cause to be grateful for the labor and skill thus gratuitously bestowed for the advancement of their interests. Every good, however, may be abused till it becomes an evil. If the publication of these observations, manifestly imperfect as they are, and as even fresh additions to them must continue for many years to come, and ill-adapted as they are to afford deductions of theories, by which an extensive public company ought to be regulated, is

used as the means of exciting the public to look for increasing profits at reduced rates, *or to set up as a standard rate of mortality for all the future, the experience of little more than twenty years, the mischief may exceed the benefit they are calculated to produce.* The Committee of Actuaries themselves, men celebrated in their profession, whose judgment, skill and complete acquaintance with the subject in question entitle their opinion to the greatest credit, have, with the fear of this misapplication before their eyes, given a very judicious warning against the hasty adaptation of these facts to practical purposes; yet, in spite of this weighty advice, some companies have already advertised tables of premium, deduced from the observation, with a margin which appears to us scarcely sufficient to cover the fluctuations of the early mortality of a society, much less the increase, which we have shown, may be reasonably expected in a few years."

Of course, it is now known that these fears were utterly groundless, but experience has proven, nevertheless, that the table was quite as incorrect a measure of the mortality to be expected in a prudently conducted company as they had considered probable; only the inaccuracy was over instead of under.

MALE AND FEMALE LIVES, INSURED AND UNINSURED.

Nothing in mortality statistics is more thoroughly settled than that women on the whole live longer than men. The statistics of birth show that there are more males born than females, but long before middle life is reached the preponderance is reversed. There seems to be in childhood, and, in fact clear up to the oldest ages, less vitality among men than among women. At no age, according to the population statistics of various countries, with the sole exception of the child-bearing period, is the mortality greater among women than among men.

So much as to population statistics. The same thing also appears in the experience of companies as to the longevity of annuitants. Women who are in receipt of annuities live much longer on the average than men; and this has been found to be the case in every country where annuities have been sold and the experience collated and analyzed.

Singularly enough, precisely the contrary seems to be the case as to insured lives, viz., that among them the mortality is less among male lives than among female, and that men live longer than women.

Perhaps nothing has ever been discovered which illustrates better than this the influence of the moral

hazard in life insurance. Very much the larger proportion of the men who insure have responsibilities upon them, so that by their deaths a larger financial loss is incurred for their dependents than the amount of the insurance upon their lives. In very many cases this has not been true of insurances upon the lives of women. Very often the insurance has been taken in favor of the husband, who has little or no financial interest in the life of the wife and who, consequently, from a financial standpoint, has much to gain and nothing to lose by her demise. The murders known to have been committed in order to obtain insurance are not very many, but the ratio of such murders where women were insured in proportion to the total number of women insured is very much greater than the ratio where men were insured.

Another element in the moral hazard in dealing with insurance upon the lives of women has been concealment. Many of the inquiries made by life insurance examiners have been regarded by women as impertinent, and they have not hesitated to evade them or, if necessary, to answer them falsely. This is not owing to any deficiency in honesty on their part, but merely to a much greater delicacy. Men confronted by an embarrassment similarly formidable to them would no doubt seek to evade it in far more cases than women.

The American companies which have insured women have had widely different experiences. About one-half

of them report a favorable experience on the whole, and the remainder an unfavorable experience. Doubtless many of the difficulties can be overcome. In any event, it does not appear why it should make so much difference to a life insurance company whether the experience is as good as on the lives of men or not, so long as it is not disastrous; for, by putting women into a class by themselves, they are made to pay the cost of the insurance upon the lives of women, whatever it may be.

A MORTALITY TABLE BEYOND AGE 100.

When one speaks of a mortality table beyond age 100, it must not be understood to mean merely a mortality table dealing with lives at other ages and containing some lives which survive age 100. On the contrary, what is meant is that it is a mortality table which deals only with lives that have already survived age 100. Such tables are presented in a work entitled *A Comparative View of the Various Institutions for the Assurance of Lives*, by Charles Babbage, published in 1826.

According to Mr. Babbage, the table is formed from a collection of 1,751 persons who had reached the age of 100 years or upwards. Most of these persons were mentioned in the book, *Human Longevity*, published in 1799, by James Easton. In constructing the table, Mr. Babbage assumed 150 as the extreme longevity, although he says, "there were two or three authentic instances of persons of greater age." The following is a copy of his table:

Age.	Number Alive.	Die in the Next Year.	Age.	Number Alive.	Die in the Next Year.
100	1,751	164	107	716	94
101	1,587	145	108	622	80
102	1,442	162	109	542	69
103	1,280	154	110	473	57
104	1,126	150	111	416	48
105	976	140	112	368	40
106	836	120	113	328	34

Things Agents Should Know.

<i>Age</i>	<i>Number Alive</i>	<i>Die in the Next Year</i>	<i>Age</i>	<i>Number Alive</i>	<i>Die in the Next Year</i>
I14	294	31	I33	31	3
I15	263	29	I34	28	3
I16	234	25	I35	25	3
I17	209	24	I36	22	3
I18	185	22	I37	19	3
I19	163	20	I38	16	2
I20	143	17	I39	14	2
I21	126	14	I40	12	2
I22	112	13	I41	10	1
I23	99	11	I42	9	1
I24	88	9	I43	8	1
I25	79	8	I44	7	1
I26	71	8	I45	6	1
I27	63	7	I46	5	1
I28	56	6	I47	4	1
I29	50	6	I48	3	1
I30	44	5	I49	2	1
I31	39	4	I50	1	1
I32	35	4			

WHO LIVE LONGER, THE RICH OR POOR?

It has been one of the functions of insurance and annuity statistics to explode many ancient and respectable fallacies. One of these fallacies was that the poor lived longer than the rich, which was attributed to the luxury of the rich. Many of the old adages were based upon this assumption. Frugality was believed to be the surest foundation for longevity, and enforced frugality was regarded as next door to voluntary frugality.

As soon as it was possible to obtain vitality statistics of different classes in the community it became evident that there was a higher relative longevity with every step in advance in the matter of human comfort and affluence. Thus, contrary to public opinion on the subject, it was found that mortality among the noble families of Great Britain was materially lower than the mortality among other classes, and that, despite the ailments which were induced by luxury, the expectation of life of the average nobleman was greater than that of the average yeoman by many years.

Alexander Glen Finlaison, actuary of the Commissioners on the Reduction of the National Debt of Great Britain, in his report on the mortality of government life annuitants, says: "Good service in the cause of truth may also be done by scattering the ill-grounded assumption that an inferior longevity is the portion of the affluent; and a vulgar idea which, after being

adopted as a fact in the first place, is in the next immediately accounted for, as a matter of course, by the luxury of the rich, and their greater command of the roads to excess, will be advantageously exploded."

The same thing has been repeatedly observed by others since then, in comparisons of mortality among different classes. For instance, even in our day, when means of sanitation are brought within the reach of almost the humblest, and when, under systems of factory inspection, the welfare of the workingman is looked after as never before, it is found in the experience of industrial companies that their mortality among adults is nearly, if not quite, twice as high as is the mortality experienced by companies which do not do an industrial business.

It is, perhaps, significant of the greater care which men will give to secure the safety of those whom they love than they will to secure their own safety, that the disproportion between the mortality experiences on the lives of children is by no means so great. There is no way of instituting such a comparison, however, upon insured lives, since no companies, excepting the industrial, write insurance upon the lives of children; but a comparison between the mortality upon insured lives and population statistics seems to show that the poorer classes give unusual attention to the care of young children.

The old adage that actual poverty and enforced fru-

gality conduce to longevity has, within a generation or so, given way to modification, viz., that people in moderate circumstances are likely to live longer than either of the extremes. There may be something in that, and there may especially come to be something in it within another generation or so, when wealth becomes mainly hereditary and when, in consequence, it is more luxuriously employed. At present, most of the very rich are comparatively temperate, and they are, besides, able to look out for their health far more successfully than even the moderately well-to-do.

Moreover, the moderately well-to-do, as a class, are by no means contented and dwelling serenely with peace of mind in the ideal condition which is contemplated when one speaks of them as having the best chances for long life. The strife and worry of our modern existence, indeed, tells very severely upon persons with moderate incomes, who are divided between passionate craving for larger incomes and constant dread of a change of fortune for the worse. Probably the pressure is less and less severe as one ascends from the lower to the higher levels.

RESERVES, ETC.

REINSURANCE RESERVES—UNEARNED PREMIUMS.

The word reserve is frequently used in insurance without being accompanied by the word reinsurance. Usually but not always the reinsurance reserve is the thing that is meant. Of course, money might be reserved for other purposes, and if so, such a fund might properly be called a reserve.

The thing which distinguishes this reserve from all others is the purpose for which the fund is reserved. This purpose is to secure, first, that if the company goes on, it will have resources sufficient to meet its obligations, and, second, that if it retires, it will have sufficient to induce some other company to take over its obligations.

It is not sufficient to count that future premiums will pay future losses. Presumably that would only be true if all the policies in existence were now expired, so that future premiums would only be required to pay for future insurances. Evidently, if any insurances are in

force for which the premiums have already been paid, it is not to be expected that future premiums would pay the losses under those policies.

The proposition is that there should remain enough out of past premiums to cover these obligations under insurances already in force, leaving future premiums to take care of only the future insurances for which they will be paid.

Thus this reserve may be viewed from two aspects; first, by considering its purpose, and, second, by considering its source.

From the point of view of its purpose, it is a reserve for reinsurance, or to cover liabilities under existing contracts.

From the point of view of its source it is an unearned premium reserve, that is, it is that part of the premium which has not yet been earned by fulfilling contracts of insurance.

Where a policy of insurance as a level premium life insurance, for instance, agrees to accept an unchanging premium to cover an increasing risk, it follows that this reserve must exist, not merely to cover the unexpired portions of years for which premiums have been paid, but also to help out future premiums which would otherwise be inadequate to cover future obligations. This fact, however, does not change the nature of the reserve which is still both a reinsurance reserve, that is, the amount which in addition to future premiums will

be required to meet future obligations, and is also an unearned premium reserve, that is, the amount which should have been accumulated from past premiums after meeting past obligations.

The agent who has mastered these simple facts concerning reserves knows a great deal more about them and their true nature than does many a man who speaks glibly concerning actuarial formulas and problems. Moreover, he knows something which he will be able to tell his customers and to make them understand.

ARE RESERVES INDIVIDUAL OR AGGREGATE?

There has been for many years an issue, perhaps impossible of solution, between those who hold that reserves in insurance belong to the individual policies and those who hold that the reserve is an aggregate amount. The points at issue are simple and worth knowing about.

Those who hold that the reserve is an individual affair argue as follows: The purpose of the reserve is to meet or help to meet the policy's contributions to pay future losses. The source of the reserve is the past premium or premiums, for the reserve is what remains of the past premium or premiums after the policy's contribution to meet past losses and expense has been paid. From the standpoint of reinsurance they also argue that the reserve is an amount required to reinsure this particular policy, and that if this particular policy were cancelled, the total amount required to reinsure all the business of a company would be lessened by just the amount of this reserve.

On the other hand, those who contend that the reserve is an aggregate amount say that as to its purpose it consists of merely that aggregate sum which would be necessary to reinsure all policies or which may be required to meet or help to meet future losses, and that

as to its source it is that aggregate sum which remains of past premiums on all existing policies after past contributions to losses and expenses have been met.

As to the statement that the cancellation of a policy diminishes the reserve by the amount represented by the unearned premium of that policy, they do not deny this, but they insist that it does not follow that this amount is the real reinsurance reserve of that policy. They illustrate this by reference to life insurance where it might happen that the individual insured was in a much worse plight than the average condition, so that a reserve to reinsure his policy alone would not be so small an amount as that part of the aggregate reserve contributed by his policy to the aggregate reinsurance premium required to be paid if all the policies were reinsured. On the other hand, it would be a less amount when the life is better than the average.

With this candid statement of the points at issue the readers must be content to decide the matter for themselves. It will not be strange if many decide one way and many the other.

ORIGIN OF THE FOUR PER CENT. STANDARD.

The following language from the first report of Elizur Wright, Insurance Commissioner of Massachusetts, will explain how the rate of four per cent. came to be adopted as the standard in state valuations, and also on what principle Mr. Wright considered that the rate of interest for this purpose should be determined:

“The difference between the various rates of mortality adopted by different companies is probably of less practical importance than the difference between the rates of interest assumed as certain to be realized on the investment of money. A very large part of the immense sums promised to be paid in the distant future is to be produced by the accumulation of interest; and, the premium being fixed at the outset and unalterable, it will make a life or death difference with the company whether six per cent. interest is always to be received on investments or the rate is to fall occasionally or permanently to four or three per cent. If the interest is to be more, the premium may be less; and if it is to be less, the premium must be more. The only safety is to assume the rate of interest so low that the profits on investments may always exceed it, and to divide at short intervals the surplus that may result from the excess. The English companies are generally afraid to assume a rate higher than three per cent., and some assume as low as two and one-half. The American com-

panies generally deem it safe to assume four per cent., and that is the rate according to which we have made the valuation of which we are about to give the results."

This is of interest to the agent, not merely because it gives him insight into the purpose of the commissioner in fixing upon this rate, and is thus valuable historical information for him, but also because it seems to set a standard for all time in this sense, viz., that while a rate of interest, which will be good for all time, cannot be named, a rate of interest may at any time be assumed which is so much below the present experience that it may safely be counted upon for a long term of years.

SHEPPARD HOMANS ON GROSS VALUATION.

When Elizur Wright introduced net valuation in the State of Massachusetts, there was a frightful howl, not so much on the part of the American companies, although there were a few of them also which undertook to hang out for gross valuation; but especially on the part of one English company which was doing a large part of the business in this country, viz., the International. This company, after being declared insolvent by Commissioner Wright on the basis of the Actuaries' table and 4 per cent., was figured out solvent by two of the greatest actuaries in Great Britain, W. S. Woolhouse and F. G. P. Neison; the elder Woolhouse denounced the net valuation formulas adopted by Commissioner Wright, and stated that they, "being based upon a hypothesis of fictitious premiums, having no actual relation whatever to the society's tables, or the premiums actually receivable, are necessarily fallacious, and may be regarded purely as a fabrication."

The views of these eminent actuaries were supported by the opinion of Benjamin Pierce, Professor of Mathematics at Harvard.

Both of these actuaries used the gross valuation system; *i. e.*, they did not take into account at all the future expenses of the company, but computed its assets and liabilities as if the whole of the future premiums were available to pay death losses.

Fortunately, Commissioner Wright was not without support in this country. President Winston, of the Mutual Life Insurance Company, addressed a communication to Sheppard Homans, actuary of the company, submitting to him the opinion of Actuaries Woolhouse and Neison, and of Professor Pierce, and asking for his opinion upon the subject. After analyzing the certificates furnished by these gentlemen to the International, and showing conclusively that they in their computations had not taken into account the future expenses, Mr. Homans gave the following opinion concerning the valuation by Wright: "The Actuaries' Table occupies a satisfactory mean or central position among the most reliable tables of mortality—accords more nearly with the actual experience of all life companies, as now known, and is unquestionably, as an hypothesis, the best representation extant of the mortality prevailing among assured lives in England and in the United States."

While the gross valuation system obtained lodgment in some places in this country, it never came into common use in America as it did in England; and whatever follies the actuaries of this country were led to commit in its name, those follies did not include dividing the alleged surplus which was found by so absurd computations.

CHANGES OF STANDARDS.

The first mortality table actually used by life insurance companies was one made from the Mortality Bills of London, by Thomas Simpson. This was used by the Equitable of London.

It was displaced by the Northampton, which was arranged for the same company by Dr. Price, and which showed a lower mortality than the London table.

The net rates, according to the London table, were higher than according to the Northampton table. Consequently, upon the adoption of the latter, the Equitable introduced the idea of loading. The premiums had before been net according to the London table; and a gross premium was now adopted, providing for the loading of 15 per cent. upon the Northampton table. This was afterward abandoned when competing companies began to charge lower rates.

The Carlisle table next became the standard, but only after a hard fight. This table showed a very much lower mortality than according to the Northampton. The correctness of the plan upon which it was made was conceded by everybody; but it was not regarded "conservative" enough by some offices.

A committee of the House of Commons, appointed to investigate the accuracy of the Northampton table, reported: "The evidence appears to your committee to be strong and decisive in favor of the use of tables which

give an expectation of life higher than the Northampton. In truth, there is not even a *prima facie* case in its favor."

Dr. Farr said: "A false life table can be defended by the same arguments as a depreciated currency; and the substitution of a correct table causes the same kind of disturbance in the value of the shares of members as the recoinage of clipped money or a return from a depreciated paper to a metallic currency introduces into the value of commodities and securities. The Northampton table has still silent adherents, but few open defenders; and some of the old officers have, greatly to their credit, since the error in that table has been placed beyond doubt, abandoned its use."

F. G. P. Neison, the most famous actuary of his day, characterizes the refusal to adopt a standard more nearly embracing actual experience, as follows: "It is a very curious, if not a mortifying, circumstance to discover, at this advanced stage of our progress, that the gigantic moneyed interests of our greatest companies have long relied almost exclusively on a table which has been falsely constructed, and which in fact does not represent the rate of mortality, even in the locality from which the data have been collected, nor, as will hereafter appear, the rate of mortality in the country generally, nor among the assured portion of the community."

Although an insured life table was introduced in the

17 Offices Table, and although population tables of the highest possible character were introduced in the series of English Life Tables 1, 2 and 3, graduated by Dr. Farr, the British companies clung to the Carlisle Tables after having once adopted them until all actuarial differences were compromised in the Institute of Actuaries Tables known as H^m , or Healthy Male, tables. These will doubtless be displaced by the new Institute of Actuaries Tables, which are now approaching completion.

In the United States, owing to its introduction by the Massachusetts Department, the 17 Offices Table, known also as the Combined Experience or Actuaries' Table, was adopted as a standard in many of the States. New York first adopted Farr's Table, No. 3. Later Sheppard Homans, actuary of the Mutual Life Insurance Company, constructed a table known as the American Experience Table, which was made by modifying the Actuaries' Table below age 40 to conform more closely to the experience of the Mutual Life, and by changing the extreme age from 100 to 96. This table was adopted as a standard in several states. No change has since been made except from one of these standards to the other. The 30 American Offices Table, which was constructed under authority of the now defunct Chamber of Life Insurance, has never been accepted as a standard in the United States. The existing standards represent a mortality considerably in excess of the experience of American companies, but on grounds of

conservatism the state authorities have so far declined to change them or to seek new standards more nearly expressing American experience, although the theory of legal reserves is that they should test the *fact* of solvency.

ACTUARIAL ODDS AND ENDS.

THE BEGINNINGS OF ACTUARIAL SCIENCE.

The first actuary was A. De Moivre, a resident of London, and author of a work entitled "Annuities on Lives," which appeared in 1725.

The first actuary of a company was Thomas Simpson, actuary of the Equitable Society of London, and author of "Select Exercises for Young Proficients in Mathematics," which appeared in 1752, and contained many actuarial problems.

Among other early actuaries is Dr. Richard Price, author of "Observations on Reversionary Payments," which was published in 1780, and in which the Northampton table first appeared.

Dr. Price computed this table and other tables for the use of the Equitable of London, and thus appears as the first consulting actuary for a company.

The first comprehensive works to be devoted to problems only, and not to the development of tables of mortality chiefly, were Francis Baily's "Doctrine of Life Annuities," and William Morgan's "Doctrine of An-

nuities and Assurances on Lives and Survivorships." Both of these appeared at about the beginning of this century.

All these books gave only formulas which involved going back to the mortality table to compute each value. Commutation columns, rendering this unnecessary, were invented by Griffith Davies, actuary of the Guardian Assurance Company of London, and published in his work entitled "Observations on Life Assurances," in 1825.

The first American consulting actuary was Elizur Wright, the author of the Massachusetts surrender laws. He introduced the 17 British Offices Table into general use in the United States under the name of the Actuaries' Combined Experience Table.

THE OFFICE AND INFLUENCE OF THE ACTUARY.

It is, perhaps, not too much to say, that the greatest men who have occupied the office of actuary have not been those who sought to mystify the public concerning the comparatively simple duties of an actuary and to magnify his office, but those who have sought to enlighten the public as much as possible concerning its duties, and who have not exhibited the disposition to claim too much for the office or themselves.

These two methods of behavior could hardly be better illustrated than by contrasting the following quotations. The first is from the preface to *A Comparative View of the Various Institutions for the Assurance of Lives*, by Charles Babbage, a most eminent scientist and philosopher of the first part of this century, who honored the actuarial profession by belonging to it: "There is one mistake which I have occasionally observed and which, as it is unjust, I should wish to remove. Persons, unable of themselves to form an estimate of the merits of an office, sometimes judge that it must be good for the known skill and ability of the actuary who conducts it; and, on the other hand, if any inconsistency or impropriety in its proceeding is pointed out, the defect is almost invariably imputed to the same officer. Now, the degree of knowledge possessed by persons so situated at the different institutions is ex-

ceedingly various, passing through all degrees, from the most superficial requirements, derived merely from the routine of an office, up to the most profound knowledge of the subject. Unfortunately, however, for the public, the power they possess is not always equal to the weight which is due to their integrity and knowledge; and whatever may be the excellence of any regulation they propose or the advice they offer, it is frequently neutralized by passing through the ordeal of a board of directors, far too intent upon profit, and who, in their joint capacity, esteem it no degradation to sanction measures, which they would be very sorry to be considered as acting upon in their characters as individuals."

The other quotation is from an actuary who shall be nameless, but who was distinguished in his day. It is quoted with unfavorable comment by Gustavus W. Smith in his excellent work *Notes on Life Insurance*. "It is not to be expected that men who enjoy honor and emoluments from being considered the exclusive depositaries of a scheme so useful to the world should so popularize and simplify it as to remove the bread from their own mouths and the glory from their own wigs."

INSURANCE IS A HEDGE.

Now and then, even in this enlightened age, persons are found who consider insurance to be gambling. In fact, it is a "hedge" or the very opposite of gambling.

An analogous case is found in a custom of prudent millers who have to carry good stocks of grain in order to have enough at all times to grind. But they are confronted with the possibility of grain falling in price before their stocks are ground and marketed, carrying the price of flour down with it. This may wipe out their legitimate milling profit and make them lose money. If they do not protect themselves, they are really speculating or gambling in grain.

How can they protect themselves?

Suppose a miller has a stock of 100,000 bushels of wheat, bought at \$1 a bushel. He may go into the market and sell wheat for future delivery, covering the milling period. Thus suppose it takes ten months to grind and dispose of the product. He proceeds to sell 10,000 bushels of wheat, to be delivered in one month, 10,000 to be delivered in two months, etc. Suppose he sold the wheat at \$1 per bushel, to be delivered in one month. If it falls 10 cents a bushel, he will make \$1,000 on his sale of 10,000 bushels, because he will be able to fill his \$1 engagement by buying wheat at 90 cents; but he will lose just as much on his month's output of flour on account of the fall, leaving him even. Suppose

wheat rises 10 cents a bushel, he will now lose \$1,000 on his sale of wheat for he will have to pay \$1.10 a bushel and deliver at \$1; but he will make just the same amount on his month's output of flour on account of the increase in price.

What has he done? Gambled? Speculated?

Not a bit of it. He has simply protected himself against risks which his owning that wheat incurred. He has refused to gamble, to take risks; he has insured his milling profits against fluctuations.

It would be gambling for a man who did not own wheat to do this; he would have no risk to hedge against. He would be creating a risk for himself in the hope of gaining by it; all the miller is doing is to destroy his risk in the hope of escaping loss.

Another illustration will make this even clearer. Suppose a business man found his clerk in the act of staking \$100 of his employer's money on an even chance, such as tossing up a penny, and suppose the employer had no option but to stand by that bet. How would he go to work to save himself from gambling and from running this risk of loss?

Simply bet on the other side; simply hedge.

If he bets on the other side he will be nothing out either way. For if it goes one way, he gets back the \$100 the clerk bet and \$100 with it; and he loses the \$100 he bet himself, leaving him with his original \$200. And if it goes the other way, he gets back the \$100 he

himself bet, together with \$100 won; and he loses the \$100 the clerk bet, leaving him again with his original \$200 in hand.

He has not gambled; he has merely neutralized the bet of his clerk.

Nature is continually compelling us to run risks, just as the ownership of wheat does the miller, or the behavior of the clerk did his employer. The man who does not hedge against them is the one who gambles. He gambles with his uninsured property, or he compels his dependents to gamble with his life. And all he stands to gain is the premiums he saves, while what he or they stand to lose is a much greater sum.

In short, he is not merely gambling, but he is giving heavy odds, ruinous odds, if the bet goes against him.

There is but one way to avoid such unconscionable gambling, far worse in its possibilities than the ordinary forms, and that is to hedge by carrying insurance.

THE ORIGIN OF LIFE ANNUITIES.

The first person in the world to give any special attention to the subject of furnishing annuities for a lifetime, and especially of basing the calculations concerning them upon a scientific foundation, was John de Witt, the first citizen of his time, the father of the modern idea of free institutions and the Grand Pensionary of Friesland. In 1671 he drew from the registrations of deaths and births in different towns of Holland certain data enabling him roughly to compute the probability of men's survival. He prepared a report on the subject which was presented to the States-General.

The distinguished English actuary, Augustus Hendrick, says of this that "it is entitled to be considered as the first known production of methods which treated in a formal manner on the valuation of life annuities."

He based his theory upon a number of propositions, some of which have passed into the science of mathematics as applied to probabilities, and especially as applied to life probabilities. Thus, we find the theory that if a thing may happen in a certain number of ways, and may not happen in a certain other number of ways, the chances that it may happen may be expressed by the fraction of which the number of ways it might happen is to be numerator, and the sum of the number of ways it might happen and the number of ways it might not happen, the denominator. He also presupposes that the

chance of dying is uniform throughout a given year of life. This we know not to be correct, but it is, notwithstanding that, followed by modern actuaries.

Another proposition is that the chance of dying is about the same in any year of life after maturity until about the fifty-third or fifty-fourth year; and after that time he makes certain estimates as to the rate of increment in the mortality.

THE QUARRELS OF ACTUARIES.

Whenever two or more actuaries engage in a row, the younger persons in the business are disposed to think that one or the other of them is a mountebank, and that, of course, the profession is not likely to have such unseemly quarrels between reputable members. Quite the contrary, however, is true. It is entirely possible that the contestants on both sides are honest and able. Quarrels among actuaries are so far from having been uncommon that a history of the profession could almost be written by recording the annals of such disputes.

Thus, for instance, at the very beginning, when the science was becoming a science, in the middle of the eighteenth century, Simpson and De Moivre, the two great actuaries of that day, engaged in an active and persistent quarrel over the merits of their respective systems. De Moivre, who came into the field earlier than Simpson, had evolved a purely mathematical rule of mortality, which fitted somewhat loosely to the facts contained in the Breslau Table. Simpson, in making tables for the Equitable of London, derived his rates of mortality from an analysis of the deaths in London during ten years, and he refused to be guided in any way by the mathematical formulæ prepared by De Moivre.

Thereupon the two gentlemen became engaged in a most acrimonious dispute, so that their respective books

and papers are interlarded with bitter attacks and hot defenses. Simpson closed his defense of himself with the following: "I appeal to all mankind whether, in his treatment of me, he has not discovered an air of selfishness, ill-nature and inveteracy unbecoming a gentleman."

These men disappeared from the scene of action, and immediately came thereon Dr. Richard Price and William Morgan on one side, and Francis Baily on the other. Dr. Price had been employed by the Equitable of London to get up tables for it to replace the London table, which was abandoned because of its gross inaccuracy. The result of Dr. Price's labors was the Northampton Table. His nephew, William Morgan, was made actuary of the company. In publishing an edition of Dr. Price's book he gave brief formulæ of his own, which Baily considered to be erroneous. Notwithstanding that, the formulæ were reprinted in a later edition, and Baily refers to the subject in the following choice language: "Mr. Morgan may, perhaps, flatter himself that no one will follow him through his investigations, and that he shall thereby escape the censure which he so justly deserves for this extraordinary conduct." He also characterizes the formulæ as follows: "All these absurd and inaccurate formulæ are still retained, a disgrace to the editor and an insult, as well as an injury, to the public at large."

Later came issues as to gross and net valuations,

which for many years made the actuarial profession an arena of constant warfare, not always of logic alone, but frequently of expletives. The introduction of the Carlisle Table divided the companies into warring camps again, the more conservative preferring to retain the Northampton Table, although conceding that it was incorrect because it represented too high a mortality. It was, therefore, however, deemed "safe."

The Institute of Actuaries came into existence, but the feeling of antagonism was so great in regard to many members of the profession that for a long time a rival institute was kept up in London, and it is only within the last quarter of a century that the breach has been healed, and that the two associations of actuaries have amalgamated.

In America there have been similar feuds, especially when the business began. The disagreement between Elizur Wright and other actuaries are matters of history. In a way, they continue to the present day. At some of the recent meetings of the Actuarial Society there were discussions of questions which Elizur Wright considered that he had settled.

There are side issues and quarrels continually, and much bitterness has grown out of them occasionally, but our American actuaries seem to have learned wisdom, and usually they do not carry their personal quarrels into their books or into newspapers. They have, however, engaged in warm discussions concerning cash

values, concerning the gain and loss exhibit and concerning the proper assessment of expenses, but without losing their tempers. About the only breach, which appears to be without remedy for the present, is that between actuaries of unquestioned standing and those who are connected with assessment companies and are considered, on that account, to be giving countenance to erroneous practices and heretical theories. Even now, as to the latter, the sentiment of antagonism is not usually personal.

BREAK OF LIFE.

The first actuary of the Mutual Life of New York, Professor Gill, in his report for 1851, employed the following language: "It is a well-known result of all European contributions to vital statistics that a marked change, the causes of which are but very imperfectly understood, takes place in the law of mortality at about the age of fifty-five—so much so, that Dr. Farr, in constructing the English life table for the register-general, actually used different mathematical laws for the formation of his table before and after this age; and this period has been called the 'break of life.'"

In this language he was making use of an idea which was prevalent in his day, viz., that there is some distinct time in the life of all men when the vital powers settle and begin to break down, and that from that time on the vital conditions become weaker.

Later researches show that this period is reached at a much earlier date, probably at twenty or under. That is to say, the mortality which has been comparatively stationary for a number of years during adolescence begins slowly to increase.

The idea among nearly all of those who first wrote upon the subject of mortality was that during what is known as the adult period, and up to a man's prime, the rate of mortality was not far from stable. Several of the earlier mortality tables, which were not constructed

from actual data, were graduated on such an assumption. This was true particularly of the mortality table of the Grand Pensioner De Wit, of West Friesland, who placed the break at fifty-three.

Later mathematical assumptions of a somewhat similar character were introduced by the well-known English actuary, T. R. Edmonds, in a modification of De Moivre's hypothesis, which was, it will be remembered, that out of a given group at the start the same number would die each year, thus giving an increasing rate of mortality by constantly diminishing the denominator. Edmonds assented to this idea, but modified it by creating periods during which the number dying remains the same, but changes as one passed from one period into another. He thus also recognized the thing meant by the expression "break of life."

As to most individuals, there is very little doubt that there comes some period of life either at early or advanced age when there is a distinct break or change for the worse in the vitality. The few who escape this are those who are destined to old age, and whose lives flow along in the even course of the law of mortality. This curve does not exhibit any such break at any point. The break is due to disease or debility, and comes at different times to different individuals.

LONGEVITY OF ACTUARIES.

The actuary, being a student of longevity par excellence, might reasonably be expected to take particular care to live out his full expectancy at least. The fact is, however, that most of them have been more acquainted with the mathematics relating to longevity than with the course of life which tends to prolong one's existence; and such subjects are only now beginning to be given the consideration they deserve.

In making comparisons of the ages attained by actuaries with the average age attained by other men, it must be taken into account that men do not become actuaries at birth, but commonly not much earlier than at 30 years of age. Consequently, they should reasonably be expected to live to somewhere between 65 and 70 without having, on the average, taken more precautions about their health than other people do. A complete list of the more prominent actuaries who have died might conceivably be compiled, the number not having been very great. But the following are all that the writer has been able to collect up to this time. The first eight of these are taken from a compilation made by Cornelius Wallford, and published under the head of "Longevity of Actuaries" in his *Insurance Cyclopaedia*:

Griffith Davies	67	Benjamin Gompertz	85
Professor De Morgan.....	65	Mr. Harris (of the Sun)...	46
John Finlaison	77	Mr. Arthur Morgan.....	69

Mr. W. Morgan.....	54	Whiting	55
Dr. Richard Price..... ..	68	Homans	65
De Moivre	87	Baily	70
Deparcieux	65	Dodson	50
Babbage	80	Dove	63

In this country, William E. Starr, Actuary of the State Mutual, is still serving that company at age 88.

WHAT IF ONE DON'T DIE BY AGE 100?

Most of the mortality tables are constructed on the basis of age 100 being the ultimate age or as the extreme attainable age. That is to say, they assume that all the lives will be extinct before reaching age 100.

Originally what the companies might assume in this regard was not known to the public, and when a whole life policy was issued, the same was not payable until death actually occurred, although the company had made provision to pay the claim, as one certain to come, by the beginning of the insurance year in which the insured became 100 years old.

Some mortality tables, as, for instance, the American Experience, which is in use in this country, have been shortened so as to make the extreme age 95, which means that they count upon paying a certain claim at the end of the 95th year of age if the insured has not died previously.

In both these cases the premiums are so computed and the business so conducted that the money is on hand to pay these claims, and if they should not accrue, it could only be held until they did accrue.

Under the old plan, when the public was not in the companies' confidence in these matters, they would go on charging premiums and withholding the payments until the insured actually died. It might even happen that they would lapse or forfeit the policy because of

non-payment in the days before the surrender values were a recognized feature of the business.

Meanwhile, while this was going on, the company had accumulated the full face of the policy out of the insured's premiums in order to meet this claim considered to be certain, and every premium thereafter paid was consequently pure profit, as was also the interest on the principal sum, already in hand and ready to be paid over.

Not so very many cases have arisen where the insured has survived these ages; but cases do occasionally arise. In recent years, however, the facts being understood by many of the insured, companies have generally treated their policies as endowments due at the end of the limiting ages, if the insured have survived so long. This has been done in several cases in the United States and the money has been promptly paid over as an endowment to the insured while still living, although by the terms of the policy it was not payable until the insured died.

POLICY AND PREMIUM.

A policy is a contract of insurance. Its form is that of a promise to pay, based upon a cash consideration known as a premium. The promise to pay, however, is not definitive, but it is contingent, namely, upon the happening of the event in respect of which insurance is entered into.

Insurance is a bet in form with the peculiarity that the insurer is not merely one of the bettors, but is also stakeholder, and that in no case is he required to return the stakes deposited by the other bettor, viz., the premium. An apparent departure from this is in life insurance, where an amount may be returned in cases of surrender. But the departure is only apparent, for what is really returned is premium for insurance never actually furnished. The case is really analogous to fire or other insurance where there is paid a return premium on surrender of the policy. In all cases the company, as one of the bettors, retains the premium paid it for insurance already had, whether there have been losses or not.

The peculiarity of this position is that the actual bet on the part of the company, judged by the ordinary rules of gambling, is the face of the policy less the premium. For it is the custom in ordinary gambling that all the stakes are to go to the winner. Let us illustrate this. Suppose that two men were to gamble as to the

burning of a house. One of them bets \$990 that it would not burn, the other betting \$10 that it would. These men place their stakes in the hands of a third person. If the house burns, the total stakes, \$1,000 in all, go to the man who bet \$10 that it would burn. If the house does not burn, the total stakes, \$1,000 in all, go to the man who bet it would not burn. In the former event, there is a profit of \$990; in the latter of \$10.

This state of things is precisely analogous to the actual facts of a fire insurance, except that there is no third person as stakeholder. It follows, therefore, that the actual insurance is, as has been said, the face of the policy less the premium.

Of course, there is an offset to these profits in individual risks, in the loss on other individual risks, but this did not appeal to the persons who first came in contact with insurance. They did not realize that it was based upon a law of average, so that even if this particular house did not burn, only a very small part of \$10 might be profit.

Out of the fact that these persons who first came into contact with insurance did so from an individual viewpoint, the names have grown, which are distinctive of insurance contracts in the common vernacular. These names are "premium" and "policy."

The word "premium" in the original Latin means "a profit," and especially "a profit derived from booty."

In other words, "a profit when the whole thing is profit," because one is not supposed to have paid anything for what is stolen, and that is what in plain English "booty" means.

The word "policy," according to the English actuary, James H. James, is derived from an old Latin word "polica," which originally meant "a promise." This word, according to the same author, still survives in Spain, where, however, it is held to mean "warrant on a treasury, common stock, or public funds."

From these two words it might seem that our English word had an entirely creditable origin. But the fact is that it came to us through the Italian, where the word "polizza" meant "a lottery ticket;" and the idea was, that an insurance policy was the same kind of promise to pay as a lottery ticket, viz., upon an uncertain and improbable contingency.

THE RELATION OF SICKNESS TO DEATH.

A well-known English actuary, T. R. Edmonds, in 1832 asserted that there was a relation between the duration of illness in a group and the deaths in a group which had a mathematical connection with each other. He also asserted that two years of illness to each death seemed to be the law of nature, from which there was little deviation, except in very unhealthy climates. Thus, in the English army about two and one-half years of illness; in the West Indies, about one and one-third; in the East Indies, two and one-third for native troops, and one and two-thirds for European troops.

Mr. Edmonds's view that the number of weeks of illness and the rate of mortality at a given age are so related that one may be made the function of the other is a view which has been shared by many others. Possibly it may have some foundation. Apparently the improvements in the hygienic, sanitary and medical conditions of the civilized world have affected the death rate favorably to a greater degree than they have the rate of illness. In any event, it is the fact that no such relation, reducible to a mathematical formula, has as yet been discovered.

There has been no very great amount of investigation of the duration of one's last illness; and whether the period is on the average two years, or less or more, is as yet undetermined. This much anyhow is certain;

that commonly, if a man die of illness, he will be on the down grade for some months, if not years, before death occurs. It has frequently happened that, in consequence of this, men who are entirely dependent upon their own efforts for a livelihood have been unable to keep insurance in force upon their lives. This element of favorable selection to the companies has not generally been taken into account in considering how the fact of insurance influences the mortality.

Some European companies now issue policies in which there is an agreement that in event of one being ill when a premium falls due, the same shall be remitted.

In Great Britain, one of the accident companies at least has issued a special policy, guaranteeing the payment of life insurance premiums which may fall due when one is ill. In the United States, up to this time, features of this sort are not found except in the fraternities; yet the possibility of introducing them has recently been discussed by the managers of more than one company.

GENESIS OF LOADING.

Young men who come into life insurance are like babes who are born into the world. They find an established order of things which, so far as they can see, must always have been so. Thus the young men of the present generation who have come into life insurance have found an established something called "loading," which they understand to be that portion of a life insurance premium which can be used for expenses.

Many of them assume that life insurance premiums were originally constructed with the direct purpose of having this loading; that in fact it was part of the art of rate making; that there was added to the net premium, which was scientifically computed to cover the mortality, a margin which was more or less scientifically computed to cover the expense.

Nothing could be further from the truth. In the first place, the earliest premiums were not scientifically computed at all, but were evolved on the same principle that in the year 1898 still governs the making of tariffs on railroads, namely, "Charge all that the traffic will bear."

Moreover, the first rates that were scientifically computed did not make any provision for expense in the form of loading. When the mortality table from the experience of London was made by Simpson at about 1750, the rates of the Equitable Society, which he or-

ganized, were made to conform to computations from this table.

These continued in use until the construction of the Northampton table by Dr. Price, although the Equitable Society by this time also had tables computed from its own experience. The Northampton table was adopted because it showed a high mortality, and was believed to certainly make ample provision for the company's possible losses. Still in 1782, when these tables were adopted, a loading of 15 per cent. was added because the new rates were lower than the old. This loading was dropped again in 1786, but the idea had found lodgment. This loading was arbitrary, and not specifically intended for expenses.

With the lapse of years, and especially when the Carlisle and other tables appeared, it became evident that rates computed from the Northampton were much too high. Net rates by other tables were computed and published, and the Carlisle became recognized as the more accurate standard for select, insured lives.

About the same time attention began to be paid to the subject of a provision for expenses. Originally the expenses of life insurance companies had been almost nothing, and even at this period they were very small; but they were something. An argument on the part of the more prudent and conservative companies against lowering their premiums was that a margin or "loading" was needed for expenses and contingencies. They met

the competition of companies which reduced their rates by offering bonuses which returned whatever of this margin was not actually required.

Long after this time, however, survived the practice in Great Britain of what is known as gross valuations, that is, of estimating the resources and liabilities of a life insurance company on the basis that it will have no future expenses and that all future premiums will be available to pay future losses.

Practically, the idea that the loading should be as sacredly considered to be required for its purposes as the net premium is for its purposes was really first generally accepted in the United States, where Elizur Wright, in guiding the insurance legislation of Massachusetts, chose to consider the loading as a special part of the premium unavailable for anything but its own purposes. He therefore measured the resources of the companies on the basis that only net premiums would be receivable for the purpose of paying future mortuary losses. This practically assumed that the loading would be needed for other purposes. The same idea was championed in England by eminent actuaries.

This assumption seemed harsh in Mr. Wright's day, when the companies did not use nearly all the loading for the expenses. It was, however, salutary, and experience has proven that it would have been unsafe to assume that they would not require all the loading for that purpose.

COMMUTATION COLUMNS.

The novice at life insurance who first peeps into an actuarial book is confronted with a formidable array of tables arranged in columns, and to which is given the name of commutation columns. Their meaning is not clear to him, of course; and, although he may learn to employ formulas which, by reference to the columns, will give rates of premiums, etc., he is still puzzled to know why he should be able to get from them these functions.

In this series the task will not be undertaken of instructing him in this seemingly mysterious, but really simple matter. It is enough to say that the calculation of all sorts of problems of life insurances and annuities is greatly facilitated by the use of these columns; for thereby one calculation is made to depend upon another, so that, having arrived at one value, one may derive others.

The value of these columns may be illustrated by reference to annuities. Thus, for instance, suppose that one needed to compute the value of a life annuity at any given age, and he did not have columns with which to work. There would be nothing for him but to begin at the highest age according to the table, and work backwards. Thus if the table were the Actuaries', he would first find the value of an annuity issued at age 98. He would find this by first discounting one

dollar due at the end of the year so as to get its value at the beginning of the year, and then multiplying that discounted value by the chance of living one year. This would be the value of an annuity issued at age 98. He would then add one dollar to it and then discount the same so as to bring it to its value at the beginning of the year or at age 97, and this he would multiply by the chance of living from 97 to 98. By this means, he would get the value of an annuity issued at age 97, that is, of one dollar to be paid at age 98 if one survived, and of one dollar to be paid at age 99 if one survived. By repeating this process each year, he could finally arrive at the value of the annuity at the desired age, such as 40.

This would be rather a long process, but fortunately it would not need to be repeated. All that would be necessary would be to compute the figures down to age 10, whereupon one would not only have the value at age 10, but the value of an annuity at each age above 10 to the end of the table. Each one of these values is really found to be represented by a fraction, of which the commutation figures N and D , respectively, at that age are the numerator and denominator; and the fraction at any given age of which in like manner the M and D figures at that age are the numerator and denominator represents not the value of an annuity, but of a life insurance.

These commutation columns were invented and

brought into use by Griffith Davies, an eminent English actuary living in the first half of the nineteenth century, who published the result of his investigations and conclusions in a book entitled *Observations on Life Insurances* in 1825.

SURVIVORSHIP ANNUITIES.

The survivorship annuity policy never became popular in the United States. Indeed, annuities of any sort were not popular until a very recent date. The survivorship annuity is really a life insurance policy which promises to pay an annuity after the insured's death during the lifetime of the beneficiary. Such a provision for the protection of a single beneficiary can scarcely be excelled. Its sole disadvantage is that it is not a provision for the protection of any other beneficiary that one might desire to substitute. Such an insurance would terminate at the death of the beneficiary, even though the insured were living, and, of course, if the beneficiary died within a year or two after the death of the insured, the payment of the annuity would stop.

These were very serious disadvantages, which have been removed since by the invention of the continuous installment policy, which provides for an annuity for as long as twenty years and for the beneficiary's remaining lifetime, if surviving the insured by more than twenty years.

Notwithstanding its inelasticity and, consequently, its inapplicability to the purpose of most men, the survivorship annuity policy was always a favorite with those who had made a study of the intricacies of life probabilities. Possibly its earliest practical endorsement, from a man of eminent reputation, was that of Sheppard Homans,

in the form of taking such a policy on his own life for a considerable amount. It appears that Mr. Homans, on leaving the service of the Mutual Life, after being its actuary for fifteen years, had a survivorship annuity policy on his life, and that he carried no other insurance with the company.

INSTALLMENT AND CONTINUOUS INSTALLMENT POLICIES.

Life insurance differs from other branches of insurance in the fact that the value covered cannot be properly measured in a lump sum. The value of a life consists in those annual installments above the cost of its keep which it might be expected to earn during an average lifetime. A lump sum can only be considered to represent these values as a commutation of them.

Similarly in the object for which life insurance is taken, there is the distinction that a lump sum cannot replace the value lost, with anything like certainty. For instance, a man dies leaving an infant daughter. Had he lived, he would have provided for her beyond a peradventure, save only possible inability to do so. He leaves her a lump sum of money, which may be improperly invested by ignorant or dishonest executors; the consequence may be that the protection which he has attempted to afford comes to nothing, and his daughter is brought to want.

It was on this account that installment policies were devised, which furnish the protection of an income for a stipulated number of years after the decease of the insured. These fulfill the requirements in large degree, but they are subject to at least one objection, viz., that it might happen that the installment period would close

and the payments stop before the beneficiary had ceased to need the provision. Thus, suppose a man held a twenty-year installment policy payable to his wife and dies, leaving her at age sixty. It might easily happen that the wife should live beyond eighty, so that her income would cease, and this might be a very great hardship indeed. If he dies when she is younger, the likelihood of her surviving the installment period is, of course, greater.

Notwithstanding this disadvantage, the installment policy has been received with general favor. Within comparatively few years practically all the companies have been brought to issue them, and agents have found that they can obtain a hearing often with such policies and such arguments when the stock arguments for life insurance would not have been heard with patience.

Defects of the installment policies are not of a nature impossible of cure. It is to the credit of the largest American company that from its actuarial department have come improvements upon the ordinary installment policy, which obviate all the objections previously urged against the old form. The continuous installment policy is the invention of Emory McClintock. Under the provisions of this amended policy a certain beneficiary may be named, during whose lifetime the company will pay a fixed income, with the further provision that, in the event that this beneficiary dies before the twenty years' payments have been made, the payments will con-

tinue for the remainder of the full period of twenty years to a second beneficiary.

As is usual, there is nothing strictly new about this combination. The promise to pay during the life of the beneficiary was the familiar survivorship annuity. Contracts of this sort had been offered almost without takers from practically the beginning of life insurance in the United States. The ingenuity of the actuary lay in the fact that he divined that the reason this contingent annuity policy did not find favor in the eyes of Americans was because there was too great a likelihood of loss on account of early death of the beneficiary. So he combined the survivorship annuity with the certainty that a large number of payments would be made anyhow. By this means, through combining two things, both of which seemed defective, an almost perfect contract was evolved.

It has slowly made its way, until now many of the leading companies are issuing it, and it is sure that all others will be before long. Evidence of this is that in the list of requests made by field men of a certain great company to the officers of the company in the year 1898, the following was the chief demand: "That the company be urged to issue at the earliest possible moment continuous installment insurance."

Everything that increases the efficiency of the protection furnished through life insurance must be hailed with acclaim by agents, both because it gives them a more exalted sense of their own mission, and also because it makes it easier for them to earn commissions.

PARTNERSHIP INSURANCE.

So late as the sixties, according to no less an authority than Cornelius Walford, more than one-half of the life insurances in the regular companies of Great Britain were of a business character. That is to say, they were taken for business reasons of one sort and another, and not primarily for the purpose of protecting families. There were, and are, in Great Britain many business occasions for taking life insurance which have not hitherto existed, or at least are not recognized to have existed in the United States. Thus, for instance, there are livings, estates for life, remainders, and advowsons and many other properties and incomes, all of which depend upon a life, or several lives. Moreover, the English seem to come more slowly than the Americans to the view that there are good business reasons for taking life insurance on the part of every man, viz., that his life has a value, and that either already there is somebody besides himself interested in his life, or in the course of events there will be somebody interested in it. This thoroughly valid reason did not appeal with the same force to the Englishman of that day as it does to-day to Americans, for instance.

Only in comparatively recent years has insurance for business purposes come to be at all frequent in the United States. It has all along existed, but it was dimly recognized. Occasionally some person was thought to

be of such value to a business that under the opportunity of some clever agent, the firm placed a moderate amount of insurance upon his life on behalf of the firm itself; but this was comparatively a rare case.

There was another sort of a case which was still rarer—the issue of a joint life policy, covering the lives of all members of the firm in a given amount, payable at once, viz., upon the death of the first to die. This system of joint life insurance was very popular in Great Britain, but was never popular in the United States. The premium in most cases approaches too closely to the sum total of the premiums for like amounts of insurance upon the lives of all the members separately. There is a feeling, too, that insurance, if it be a good thing, should not cease upon the lives of the surviving members of the firm just because the life of one member has failed. The reasoning is that certainly these lives have not ceased to have value because the other life has failed, and since they have value, they ought to remain insured. It is no answer to this objection to say that they can take new policies; they cannot always do so, since to obtain them they must be in good health. Moreover, that would be making a second provision, whereas the central idea of the blessing of insurance is to make the provision now.

Out of these early systems and ideas has come at last the conception of taking insurance in an equal amount or for different amounts upon the lives of all the mem-

bers of the firm in favor of the firm itself, the insurance premiums to be paid by the firm out of profits of the business.

It is conceded everywhere that life insurance is a good thing for a family, and that not on sentimental grounds, but from a purely business standpoint, viz., the protection of the value in the life which really exists and which may be lost. It is perfectly plain that it is equally a good thing for a business house. The loss which falls upon a partnership because of the death of an active member is as genuinely a financial loss as that which falls upon the household. It is as proper and as prudent for the remaining partners to protect themselves by insurance as it is for the person himself to protect his family by carrying insurance.

Outside of the direct and immediate loss to a business house because of the removal by death of an active partner, there is also an indirect loss, likewise serious, which is involved in being compelled to pay out that partner's interest in the assets, either at once or within a short time. However good the assets of the firm may be, it cannot fail to be embarrassed to be required to produce a large amount of cash upon short notice. Very often it has crippled businesses and sometimes it has completely ruined them, although they were prosperous and their prospects were good before the disaster fell upon them.

There is yet another reason why business houses

should take insurance in favor of the firm upon the lives of the various partners, and that is because money so invested is not spent, but is merely laid aside. If a policy be carried on the investment plan, the money grows at some subsequent period to a large lump sum, accumulated from comparatively small payments. The policy, therefore, represents a growing asset in the funds of the partnership. In emergencies, it can also be realized upon or it may be borrowed upon, temporarily. Indeed, it may have a value as security for loans far exceeding the money put into it in cases where creditors are disposed to believe that the houses can pull through if nothing happens to the members, but would certainly fail if one or more members should die.

In view of these things and of the liberal patronage that life insurance has recently enjoyed from business houses, it will be surprising if this sort of insurance is not greatly promoted during the next five years. The field is fallow, good examples have been set, and the arguments are valid and convincing. The agents, no doubt, will not let the opportunity slip.

USING ACTUARIAL KNOWLEDGE IN THE FIELD.

The misuse of actuarial knowledge in the field is so common that it has become a saying among managers that to acquire such information spoils an agent.

There is, of course, some justification for this view. Many an agent, after he has a smattering of actuarial information, feels impelled to shine before his "prospects" by airing his accomplishments. He talks statistics and actuarial formulas, instead of the advantages of what he has to sell. The result is that he fails to interest, and in the end fails also to sell.

If to behave thus were the inevitable consequence of one's familiarizing himself with the rudiments of actuarial science, then it would be true that such knowledge spoils a good agent. But is that consequence inevitable?

It may be conceded that such a consequence is very probable, if the purpose of the agent in studying these matters is to escape from his sphere and to become an actuary. Such an ambition may be laudable, though from a financial standpoint it will lead in nearly all cases to a lower instead of higher income than the agent might have commanded by persistent work as an agent. But the man who is rebelling at his occupation and is seeking to get out of it into another is almost certain to neglect it and to make a mess of his work; for he is

continually thinking of what he wishes to be, and is not planning how he may make a success of what he is now doing.

The young man who is soliciting insurance for an immediate livelihood, and who is prosecuting actuarial studies with the intention of fitting himself for actuarial duties, should put a guard over his inclination so that his lips shall, when soliciting, be sealed to discussions which would be proper for an actuary but out of place for an agent. It is not for furnishing his customers an actuarial education but for taking their applications that he will be paid.

Very many agents study actuarial science with no intent to become actuaries by profession, but only to round out their insurance education. As to these men, it should be said that if their studies lead them to worry with involved formulas and computations and to employ such methods in soliciting, then they are being mis-educated. That, of course, is not the sort of actuarial education they were seeking nor the sort of education they need.

In the field it is a good thing for an agent to be able to talk intelligently about his business. It is also very much to his advantage if he is capable of making what seems confused to the "prospect" clear and reasonable. If his attainments enable him to tell a plain, straightforward story, plausible and logical, he ought to be more successful in his work than before. But he must avoid

leading his customers through the involved paths which he himself has had to tread.

A good illustration of what to avoid is this: A young man, who has learned something of the manner in which premiums are divided, proceeds to instruct his customer as to the division into "mortality," "reserve" and "expense" elements. If he leaves his task half-performed, he will cause the insured to suppose that the losses are all paid from the "mortality" element and to wonder what the "reserve" element is for, anyhow. This may throw the "prospect" into the hands of some assessment agent. It has done so by the wholesale. But if he particularizes and shows how these divisions change every year, then he will have set upon a campaign of education which is likely to take all summer or at least to take more time than the "prospect" will give to it.

A good illustration of the proper and effective use of sound actuarial information is as follows: The agent tells the "prospect" that the operation is very simple. The company merely takes his money, invests it and credits it with the average rate earned upon its investments, deducts at the end of the year his share of the losses and expenses carefully ascertained, then adds in the new premium and goes ahead. He then explains, if the plan is for a deferred dividend, that this process of accumulation is continued for a certain number of years, or if it is annual dividend, that before the new

premium is received the surplus is ascertained by deducting from the whole fund the required reserve. If he finds further explanations necessary, which is according to common experience improbable, he may say that the total expenses of the company are compared with the total provision for expenses in its premiums; and that the charge for the actual mortality is made in the same way, the mortality expected being according to the Actuaries' table. A few words about the sources of surplus may well be added, but they should be few.

It may be said that an agent who has never studied actuarial science could also say this. Very true, and it will be well if he will say this or something equally simple and equally true. But he who knows the actual processes is more likely to say it effectively and to be able to offer simple explanations in addition if required.

The success of tontine insurance was owing in no slight degree to the simplicity and scientific accuracy of the manner in which it was presented. In fact, that form of presentation is a model well worthy to be followed, so far as is possible when dealing with propositions which are at bottom not so simple. Thus, for instance, the tontine proposition was: We will take the money which you and other such policyholders pay us and pool it; we will compound it at interest; we will pay death losses with it and expenses; and what remains at the end of a given period we will divide among the survivors who have kept their insurance in force. This

will be a largely diminished number. Those who have lapsed out will have got nothing and the heirs of those who die will have received only the amount of the insurance without any dividends.

This was attractive, because it was thoroughly intelligible. Moreover, it was correct and not misleading. If the estimates were misleading, that is another matter. The agent's description of what was to be done was clear and incisive; it simplified to the customer's mind what, as presented by agents who sold annual dividend plans, seems complex and unintelligible. The result was shown in the comparative success of the agents.

The agent who has learned something of life insurance processes should employ his knowledge, first, to make all things clear to his "prospects," and, second, to create in an unobtrusive way such confidence that he knows what he is about, that the "prospects" will prefer to deal with him. If he confines himself to this, he ought to find his actuarial acquirements decidedly advantageous instead of the contrary.

SUPERVISION.

STATE SUPERVISION IN THE UNITED STATES.

The first commissioner of insurance was appointed in the State of New York in the year 1851. He was commissioned merely as the representative of the Comptroller, who had all such interests under his supervision. The purpose of his appointment was to make an examination of the New York Life Insurance Company. The gentleman was an amateur actuary at a time when there were few if any actuaries in active practice on this continent. He had come to the conclusion, which was correct, by the way, that the company was offering more than it could do, and especially was paying dividends beyond its earnings.

He was not permitted to examine the company, and in fact he made no effort to do so until the officer who had appointed him, had passed out of office. His successor in office called the commissioner of insurance to account rather sharply and the matter was afterwards made the subject of investigation by a legislative com-

mittee. The company reformed its practices and made some investigations of its own which resulted soon in its being on a sound basis.

The next example of state supervision was in Massachusetts, where two commissioners were appointed in the years 1856 and two others in the year 1857. In the year 1858 it happened that Elizur Wright was selected as one of these commissioners, and from that time intelligent, thoroughgoing supervision began in this country.

Very soon afterward the State of New York created a separate Department of Insurance and entrusted to the superintendent of insurance the supervision of companies doing business in that state. The first superintendent in New York was Hon. William Barnes, scarcely second in reputation and attainments to Elizur Wright himself.

In the State of Massachusetts, through the efforts of Commissioner Wright, a standard of solvency was adopted, being a net valuation according to the Actuaries' Table and four per cent. interest. This standard was very seriously objected to by many companies on the ground that this table had not been adopted abroad as a standard and also that the rate of interest was absurdly low.

The New York department fell in with this view and the first valuation in New York was made according to the table known as Farr's No. 3, H M. This table

was drawn from population statistics of Great Britain and enjoyed a high reputation. The rate of interest assumed was five per cent.

Presently a table known as the American Experience Table was deduced, partly from the data from which the Actuaries' Table was computed and partly from the experience of the Mutual Life Insurance Company of New York. It was the work of Sheppard Homans, who was at that time the actuary of the company. The New York department promptly adopted this table as its standard and fixed the interest to be assumed at four and one-half per cent.

The examples of these states, which were then as now perhaps the most wealthy and important in the nation were followed by a number of other states, until at last nearly every state in the Union had some system of supervision. Most of them modeled their system after the State of Massachusetts and adopted the same standard of solvency. A few accepted the New York model and coincided with it as to standard. Commonly which of the two models was favored is easily recognized by merely noting whether the supervising officer is called commissioner or superintendent.

The State of New York finally abandoned the American Experience Table and four and one-half per cent. interest and adopted the Actuaries' Table and four per cent. interest, which is now employed by it in valuing the policies of all companies reporting to it. But many

of the states which modeled their legislation after the laws of New York have failed to follow in this particular, so that some of the states still employ the American Experience Table; and it is expected that when a three and one-half per cent. or three per cent. standard is adopted, all or nearly all the states will use the American Experience Table.

NATIONAL SUPERVISION IN GREAT
BRITAIN.

The English people are so averse to state interference that Great Britain was about fifteen years behind the United States in establishing state supervision of insurance. In fact, it was not brought about until the frightful abuses became so notorious that there was a popular outcry. These abuses consisted in companies being established principally for the purpose of furnishing their managers a livelihood, and without any regard either to the interests of the stockholders or of the insured. This was really the outgrowth of a reckless race for new insurance which led, in the language of Elizur Wright, to "the establishment of a permanent overpayment of the function of management, and the turning loose upon society of that unscrupulous parasitic industry which is content or even ambitious to live upon others without returning any equivalent benefit."

Mr. Gladstone, afterward prime minister of England, was chancellor of the exchequer when the agitation began. It first took the form of an agitation for government annuities, and later also resulted in the establishing of state supervision in 1870. At that time many of the more reckless companies were still in the habit of making their reports on the gross-premium valuation basis, which practically enabled them to count as an immediate profit all the present value of the loading on

the premiums as soon as the insurance was issued, without even taking into account the possibility of lapse. This practice was thus characterized by Mr. Gladstone: "This is a business that presents the direct converse of all ordinary business, which, if legitimate, begins with a considerable investment of capital, and the profits follow, perhaps at a considerable distance. But here, on the contrary, you begin with receiving largely, and your liabilities are postponed to a distant date."

While custom and some knowledge on the part of the general public incited companies to render reports every five, seven or ten years, and to have a valuation by an actuary, even that was not actually required. In fact, as Mr. Gladstone said in the same address, a company might run for thirty-seven years before its losses overtook its premiums; and meanwhile, nobody could know that it was not solvent. We now know that in practice a company which exhibits any enterprise whatever, will run a much longer time before its annual expenditures will equal its annual income. In fact, it sometimes seems as if that day would never come, and as if expansion would go on indefinitely. It is safe enough that it should be so, now that companies are required to put up ample reserves; but in those days without any arrangement for adequate reserves, the situation was very different.

THE ENGLISH ACT OF 1870.

State supervision, which began in the United States as early as 1856, was not adopted in Great Britain until 1870. The bill was urged upon Parliament by Mr. Gladstone, who was then chancellor of the exchequer, and who afterward became prime minister. The desirability of some form of state supervision was manifest. As a result of gross valuation it had been very easy to organize new companies and to absorb in extravagant expenses, or in dividends to shareholders who had often put up no money at all, not only all the current profits but also all the anticipated profits during the entire course of the insurance, including the present value of the money which would certainly be required in future to pay the expenses.

The English act differs from American laws in the important particular that it did not stipulate what table of mortality should be employed. A company might take any table and any rate of interest.

From this it might seem at first blush that the companies were left as free after the bill was passed as they were before, to hoodwink and deceive the public. The following inquiry, however, rendered that impracticable: "The proportion of the annual premium income (if any) reserved as a provision for future expenses and profits. (If none, state how this provision is made.)"

The importance of this inquiry consisted in the fact

that the company would be required to confess that it had made no provision for expenses, if that were the fact. Of course, no company which desired to continue business could well afford to make such a statement; and by this simple contrivance the robbery was checked.

It was not many years before that the greatest names in the actuarial profession in Great Britain were employed to bolster up the mathematical truth, but commercial falsehood, of gross valuation. Thus, when Elizur Wright introduced net valuation in this country, he was confronted with the opposition of the honored names of Woolhouse and the elder Neison.

It was quite an advance from this position in the short space of ten years for the English government to require of companies an intelligent and reasonable report. The English system also has worked well, while allowing far greater liberty to companies than the American system. Its disadvantages are that a direct comparison between the companies is rendered impossible when they do not report upon the same basis; but it must be conceded that the advantages of freedom probably outweigh these considerations.

ARGUMENTS FOR NATIONAL SUPERVISION
HERE.

The first prominent advocate for national supervision of insurance was Elizur Wright, who was also one of the first advocates of state supervision. He early saw that the business of companies should never be confined to a single state, and that they were commercial institutions which must necessarily as a rule transact business in all the states of the Union, or in many of them. He was, therefore, impressed at an early date that supervision, in order to be effective, ought to be national. He foresaw with remarkable accuracy the annoyances and extravagance of state supervision when exercised by each state independently, and in his report for 1865 he offered the following argument why supervision should be national: "Yet if the legislation of Massachusetts were copied in every state, life insurance companies would either be confined to too narrow limits, or would be embarrassed with a vast amount of needless labor and expense. Inasmuch as insurance is a general interest and every insurance institution should be secured as much as possible against the adverse operation of local causes, it is difficult for us to perceive why the supervision of all insurance companies of every sort intended to operate beyond the limit of state lines, should not be a function of general government."

STARTING A COMPANY IN ENGLAND PRIOR TO GOVERNMENT SUPERVISION.

Before there was government supervision in Great Britain, it was the easiest thing in the world to start a life insurance company—not an assessment company, but a regular life insurance company, which complied or pretended to comply with actuarial requirements.

Under the stock company act, it was not necessary that capital be paid in nor was it stipulated how it should be paid in. As companies did not need to publish a financial statement, they were able to make a great show with very little actual capital. Thus, for instance, a company could be organized with one million pounds capital and could even give it out as all paid up, when, as a matter of fact, it was issued for no consideration whatever to the promoters for their services in organizing the corporation.

The gross-valuation system enabled such a company even to get out a balance sheet in which it would put the present value of future premiums as an asset and the net single premiums for its insurances as a liability and thereby would show an enormous surplus, which consisted entirely of anticipated future profits.

An important part of the game was to get good names on the prospectus, something as in American assessmentism. This was generally done by actually buying the privilege of using the names or sometimes

by using assumed names. Thus, a member of the house of commons, in a debate on the subject of national supervision, told of such a case, and gave the following particulars: "The persons who represented them were retired schoolmasters, with bald heads, powdered wigs and every artifice to inspire confidence. The rate of payment by the rules was 5s. per head per day. Further, to insure a good personal appearance, coats, waistcoats and trousers were supplied, and the directors were enjoined to wear expensive jewelry, such as diamond rings, which were also provided out of the funds, and for not wearing a ring the fine was 2s. 6d. Ludicrous as it might appear, these facts were proved over and over again, and hundreds, nay thousands, of poor persons were in this manner defrauded of their savings. The same thing might occur again to-morrow. In fact, if two persons of distinguished name were in want of funds, and did not object to do it, the easiest way to raise money was to start a society of this kind, with a capital of one million, all paid up."

He also gave the following ludicrous description of the manner of organizing a company: "The law provided that the deed of settlement should be signed by persons to an amount equal to one-fourth of the capital and to the number of one-fourth of the shareholders. But this was easily managed. One man was induced to sign for £40,000 who did not possess 40,000 farthings, and whose only means of payment was the shilling

given to him by the promoters, in addition to a pot of beer, for affixing his signature to the deed. A new office generally set out in their prospectus that there was a capital of £1,000,000, all paid up; that is, the directors would vote 10,000 in paid-up shares to the promoters, and 10,000 paid-up shares to each of their own body. If asked where was their paid-up capital, their answer was that it existed in those paid-up shares."

By the new law all that was required of companies in the original provision for government supervision in Great Britain was that they make reports, leaving them free to adopt whatever table and rate of interest they choose. Mr. Gladstone told of the visit of the manager of a prominent company, opposing the proposed law, as follows: "I inquired from him whether the society to which he belonged had any objection to the publication of their accounts. His reply was: 'Oh, dear no! I am extremely anxious for their publication.' Subsequently, when sending the accounts, he said: 'These are to be for private use.' I replied I did not need them for private but for public use, and then Mr. Harben said: 'If all the others publish, I have no objection. But as all the others do not publish, I would rather not, inasmuch as I think the facts I have given you might be the subject of unfavorable comment, of course, owing to defective knowledge.'"

The close similarity of this experience to similar ex-

periences in the United States will be at once recognized. According to Mr. Gladstone, the last statement of that company, previous to his visit, showed that it valued the premiums on its policies as being £582,000, while its obligations under them were valued at only £518,000, upon which statement he made the following comment:

“That is a most serious state of things, because the policies on which the society has received a very large sum, and therefore incurred heavy liabilities, are represented as being in themselves assets of greater value than the whole liabilities.”

ASSESSMENTISM.

AN EARLY FORM OF ASSESSMENTISM.

Recently there has been heralded abroad, as if it were a new thing, the offering of annuity benefits by assessment societies, instead of the payment of a lump sum at the death of the insured. These annuities so far are mainly reversionary in form, that is to say, they are what are known as survivorship annuities, payable to one person only upon the death of another person, and then only provided the beneficiary survives. No doubt if the system continues to be popular for any considerable time, deferred annuities will also be offered, which will begin to be paid after a certain number of years.

Perhaps no phase of assessmentism is so dangerous, or will be so plausible as this. Under it the payment of benefits will be so deferred that the cost will much more slowly increase than it does when the benefits are payable in a lump sum. This will be merely putting off the burden which must necessarily get heavier and heavier, the longer that lifting it is delayed, so that in the long run the ruin will be more complete. But if there is any interference in insurance on the part of the state, it really ought to protect people from this, as such

experiments will no doubt be tried, and will certainly be disastrous.

Far from being a new thing, before life insurance became popular annuities were sold. Among the very earliest forms of assessmentism is this plan of furnishing annuities. The fact is that the earliest works of the famous Dr. Price were called forth by his having critically examined "these schemes for providing annuities for widows and for persons in old age."

In the introduction he characterizes the operations of these societies by the following apt illustration: "It cannot be said with precision how long these societies may continue their payments to annuitants, after beginning them. A continued increase, and a great proportion of young members, may support them for a longer time than I can foresee. But the longer they are supported by such means, the more mischief they must occasion. So, a tradesman, who sells cheaper than he buys, may be kept up many years by increasing business and credit; but he will be all the while accumulating distress; and the longer he goes on, the more extensive ruin he will produce at last."

The same plea of which we hear so much in our day was put forward in that day in defense of the system after its insecurity had been demonstrated. This plea was that these societies could not fail because their liabilities could be reduced according to the terms of the contract, or their income could be increased so as to

cover any deficiency. Dr. Price paid his respects to this claim in the following manner: "It has been said in defense of these societies, that the deficiencies in their plans cannot be of much consequence, because their rules oblige them to preserve a constant equality between their income and expenses, by reducing the annuities as there shall be occasion. And from hence it is inferred that they can never be in any danger of bankruptcy. In answer to this it has appeared that the time when they will begin to feel deficiencies is far distant; that it will be too late to remedy past errors without sinking the annuities so much as to render them inconsiderable and trifling."

This ought to be a lesson to modern assessment societies which are relying upon a similar provision, that it is a remedy which is only valuable if it be promptly applied as soon as the fact that there is a deficiency is discovered, and while the deficiency is yet very small. Resort to this remedy did not save a single one of the earlier assessment societies, and will not be likely to save a single one of the modern societies unless they learn wisdom from the experience of the past.

ASSESSMENT PROTOTYPES.

It is pretty well known among the informed that all the experiments which our American assessment societies and fraternities have been making in life insurance have already been made by British Friendly Societies, and have proved calamitous. In consequence of which it really seems too bad to court disaster by repeating experiments which are certain to prove unsuccessful.

But are they certain to prove unsuccessful? Are not the conditions different?

One of the most unfortunate things is just this infidelity of men which leads them to think that a change of conditions may make an impossible scheme of insurance or economics work.

But while the informed of course know that the friendly society is the prototype of the modern American assessment society or fraternity, perhaps not so many know that before the friendly societies, even earlier than the regular life insurance companies, these assessment experiments were made. But this is the case; and it is interesting in looking into these matters to see the same low, selfish considerations appear, which nowadays lead men to patronize systems that they know to be defective and certain some time to entrap many.

Francis Baily, a London actuary who wrote a treatise on the science which appeared in 1823, says of societies

which originated in the latter half of the 18th century: "Soon after the establishment of the Equitable Assurance Company, a number of societies sprang up (all about the same time, viz., 1770), which assumed the false and alluring titles of institutions 'for the benefit of old age.' These institutions were for the most part gross impositions on the public, proceeding from ignorance or knavery, and encouraged by credulity or folly. The promoters of them were principally persons in the more advanced stages of life, and who imagined the schemes would last *their* time; they were consequently little anxious about the durability of the plan, and only desirous of getting a numerous body of subscribers that their plunder might be greater. These base attempts to deceive and allure the ignorant and distressed (and which unfortunately succeeded but too well), first induced Dr. Price to publish his 'Observations on Reverſionary Payments.' "

Dr. Price says in his own introduction to one of the latter editions of his work: "On the first appearance, however, of this work, the rage for establishing new societies immediately subsided; a partial reformation took place in some of those which had already been formed; and in a very short time the greater part of them, convinced of their mistakes; dissolved themselves. A few, indeed, persevered in an obstinate adherence to their original plans; but they have long since exhibited a melancholy proof of their own folly and of the truth and justice of the admonitions which had been wasted on them."

THE AMICABLE SOCIETY.

The first institution for the assurance of life that grew to any proportions was the Amicable Society for the Perpetual Assurance on Single Lives, which was established in 1705. According to Dr. Richard Price, writing in about the middle of the eighteenth century, it was "the only one I am acquainted with which has stood any considerable trial from time and experience."

The plan of this society was very nearly like our modern assessment plan of an equal assessment at all ages. There was no definite amount guaranteed at death, but the whole annual income was divided among the beneficiaries of the members who had died. A regular payment was required each year from each member, but the amount of the benefit depended upon the total paid in and the number of decedents. Later the society undertook to guarantee a minimum benefit of \$750. The maximum age at entry was forty-five."

Dr. Richard Price, in his "Observations on Reversionary Payments," gave much attention to this society which was then flourishing, and analyzed its plan carefully and completely. He found that the consequences of this method of handling the business must inevitably be larger benefits to the beneficiaries of earlier decedents than they should have received, and very greatly diminished benefits to later decedents, with the result that, after the lapse of a considerable time, young per-

sons would not join the society, and that it would be on that account doomed. His forecast in this particular proved to be correct.

He earnestly recommended to the society the employment of expert mathematicians. The following is his language in this matter: "I would observe that it is of great importance to the safety of such a society that its affairs should be under the inspection of able mathematicians. Melancholy experience shows that none but mathematicians are qualified for forming and conducting schemes of this kind."

SOME FEATURES OF THE AMICABLE SOCIETY.

The Amicable Society for the Perpetual Assurance of Lives was organized on January 24th, 1705, and was chartered by Queen Anne in the following year. The membership was limited to 2,000 persons, each of whom had to pay to the society £6 4s., or about \$30 per annum. During the first year, one-sixth of these contributions was to be divided among the heirs of those who died; the second year £4,000 was to be so divided; the third year £6,000; the fourth year £8,000, and thereafter £10,000 per annum. If the membership was not full, the amount to be divided was to be reduced. Annuities were also sold.

A feature in American insurance which was recently introduced, and is by many believed to be new, viz., the right to change at will the nominee or beneficiary, was also inserted in the first policies of this company.

When the society was organized there was no limit of age and no requirement that one should be in good health, as a condition to admission. In 1707 by-laws were adopted, placing the limit of age at from 12 to 45, and requiring that at the time of admission one must "appear to be in good health."

The first year of the society, 875 persons were admitted, and 29 died; the second year the membership

was full and 96 died; the third year the membership was still full and 122 died; in the fourth year 87 died.

The charter of this society was regarded by its managers as a monopoly, and they actively opposed the granting of any similar charters. This they did successfully more than once. It was that institution which helped to defeat the granting of a charter to the Equitable in 1762.

The first manager of the society was John Hartly, who was allowed \$1,500 per annum as salary, and also certain other sums to pay clerks, employés and expenses. He appears to have had many points of similarity to Receiver Bartholemew of the Charter Oak Life of Hartford, who was so generous and honest that he came to be implicitly trusted, and who later lost more than a million dollars of the company's money in private speculations. Hartly started out to reimburse the society for an embezzlement of a clerk which he "felt bound to make good;" afterwards he, himself, made away with about four times as much as the clerk did.

Dividends were introduced into the Amicable in 1715. They were paid quarterly, and they reduced the premium from £6 4s. to £4 4s.

The company was not continuously successful, although it made a very fine start. In 1715 it became evident that it was suffering because of the uncertainty as to what amount would be paid at death. Therefore, it was decided that the minimum amount should be \$625.

From this time forward the maximum amount was something over \$1,300; but only the minimum amount was realized for over four years in succession.

While treating it very kindly, Dr. Richard Price in his *Observations on Reversionary Payments*, published in 1773, criticised the plan of the society, and made it clear that it could not last, and also that it was not of the widest usefulness. The registrar of the society replied to this.

In 1790 a modification of the charter was obtained, providing that the limit of the membership should be 4,000 instead of 2,000, and also that only \$25 out of the \$30 paid by each, should be applied to pay death claims, the remainder being reserved.

In 1807 a further modification was obtained extending the number of members to 8,000, and providing for payments graduated by ages. The age limits were changed to 8 and 67. The whole of the contributions of those admitted afterwards were put into the mortuary fund. Annual payments now ran from about \$18 at age 15 to about \$77 at age 65. In 1823 the limit of membership was increased to 16,000, and at about this time the company ceased dividing the mortuary fund for the year among the heirs of those who died. In 1836 the limit of the membership was increased to 32,000, and the minimum to be paid at death was increased to \$1,000.

In 1841 a table of mortality deduced from the so-

ciety's experience was published. By 1860 it became evident that the society was disintegrating, and an effort was made to amalgamate with the Economic. In September, 1863, its assets were \$3,250,000, and its liabilities \$3,022,500. The negotiations with the Economic failing, an effort was made to reinsure in the Northwich Union, and this was carried out. The company continued as a separate company 161 years in all.

NEW BLOOD.

Long before assessment societies began to operate in the United States the argument of "new blood" had to be met. The argument was as common in the early history of regular life insurance as it afterward was in assessment life insurance, that somehow a company had the right to count upon a large and increasing new business as an offset to any present deficiency in its funds. The idea is cognate to the old commercial proposition, which so many have tried to realize and failed, that a losing business can be transformed into a paying business if you only do enough of it, forgetting that every additional sale at a loss augments the losses instead of offsets them.

The disasters which have followed reliance upon "new blood" in life insurance are well known to the reader. It ought to have been from the beginning perfectly clear that, even though conceivable that the injection of this "new blood" might revivify a dying company, it was hardly a fair thing for the "new blood" itself.

In other words, to permit a sinking corporation to inveigle others into joining its fortunes, concealing from them the true state of affairs, is to permit a crime. And this is especially true in life insurance where they are embarking, not their own fortunes, but the protection of their families. A state which permits this cannot escape moral responsibility for the ruin which attends

these new members who have been brought into the company after its dangerous condition is known.

Elizur Wright, when Commissioner of Insurance for Massachusetts, was one of those who early saw the impropriety of permitting such a thing, and in his report of 1863 he debates the question from the standpoint of moral and public policy in the following language: "The real question in the case is one of equity between old policyholders and newcomers. It is as if a firm with an impaired capital should seek to invigorate itself by taking in a new partner, bringing in the same capital as one of the original ones, while the latter did not make up their deficit. If a company does not keep its premium reserve at least up to the standard it assumes as the basis of its premiums, it ought, in our opinion, to lose the right to seek new members. Indeed, we think it hardly fair to the citizens of Massachusetts that a company should seek to issue new policies here without showing a premium reserve behind the old policies up to the standard commonly recognized here. It is hardly possible for all our citizens who may be invited to insure in this company to be made aware of its exact position, so that they may exercise an intelligent discretion. There seems to be need of some enactment preventing any life insurance company, and especially one chartered out of the state, from seeking new business to supply a deficit in the funds of the old."

HISTORICAL.

THE ORIGIN OF INSURANCE.

As a business, insurance was first known in the seventeenth century, although at Bruges something of that nature was mentioned as far back as 1310. In the fifteenth century there were systems of guaranteeing owners of vessels from loss. Maritime countries, therefore, enjoyed something like insurance. The first mention of anything of this nature, however, far ante-dated our era. There are two or three cases of guaranteeing against loss that are mentioned in Roman history. They are as follows, according to *Pearson's Weekly*:

“During the second Punic war the contractors for delivering corn into Spain stipulated that the government should indemnify them against loss by the enemy or tempest. Cicero, too, after his victory in Cilicia, seems to have obtained security against the loss of his booty during its transit to Rome.”

The creation of a large maritime commerce was the immediate cause of insurance. Its invention is attributed to the Lombards, and is said to date back to the twelfth century, when wealthy persons underwrote ships

and their cargoes; that is, for a consideration of part of the profits of a cruise, they agreed to bear part of the losses.

It was not, however, until the seventeenth century that this work was undertaken in a business-like manner by partnerships and companies. The first companies were organized in England about 1700. Marine insurance had been transacted by private individuals for some time previous to this. Fire and life insurance began to be practiced about the same time, viz., about 1700.

FOUNDATION OF THE FIRST REGULAR LIFE INSURANCE COMPANY.

Previous to the organization of the Equitable Society for the Assurance of Life and Survivorship in London in 1765, there had been no life insurance company organized which we would nowadays consider to be regular. The Amicable, which had been in existence for some time, could not be considered anything but a prototype of modern assessmentism. It is interesting, therefore, to consider a few of the facts and instances concerning the establishment of this first "old-line" company.

First, as to its founder. He seems to have been one of those odd geniuses who a century earlier would probably have been burned as a witch and necromancer and a century later would have been investigated as a spiritualistic medium. His name was Thomas Simpson. He had wandered about Great Britain, telling fortunes, promoting marriages, and even "raising the devil" by his magic. It is said that at the latter "he was so successful that he set his people mad and was obliged himself to leave the village."

He seems to have had a scientific bent of mind as well as striking originality, great imagination and greater confidence in the correctness of his views. In 1740 he published a book entitled "Not Under the Laws of Chance," and 1742 another on "Doctrine of

Annuities and Reversions." In 1752 he published another book entitled "Select Exercises," on which he gave tables of annuities on single lives, joint lives and survivorship.

He obtained the coöperation of James Dodson, and together they computed tables of premiums for insurance from a table of mortality drawn from the mortality statistics of the city of London.

Simpson by a number of lectures in London attracted great attention and interested a number of leading men, eighty-two in all, in his project. They appealed to the government for a special charter on the following ground: "The great numbers of H. M.'s subjects whose subsistence principally depends on the salaries, stipends and other incomes payable to them during their natural lives or on the profits arising from their several trades, occupations, labor and industry, are very desirous of entering into a Society for assuring the lives of each other in order to extend, after their decease, the benefit of their present incomes to their families and relations, who may otherwise be reduced to extreme poverty and distress by the premature death of their several husbands, fathers and friends, which humane intention the petitioners humbly apprehend cannot be effectually carried into execution without H. M.'s Royal authority to incorporate them for that purpose." Better statements of the benefits of life insurance it would be hard to find. Their petition was opposed by the Amicable and also

by the London Assurance Company and the Royal Exchange Assurance Company, the latter two being engaged in the insurance of lives on the imperfect plans in use before that time. The petition was rejected, partly because the new company was proposed to be mutual, and it was the opinion of the authorities that "this last objection is, in our opinion, a fatal objection to the scheme, for though an undertaking plainly calculated for the benefit of the public may, in some instances, deserve encouragement, even where success is dubious, yet, in such cases, the projectors alone ought generally to abide the peril of the miscarriage." The plan was also said to be perilous because of the adoption of fixed rates. The authorities said: "The success of this scheme must depend upon the truth of certain calculations taken upon tables of life and death, whereby the chance of mortality is attempted to be reduced to a certain standard; this is a mere speculation, never yet tried in practice, and, consequently, subject, like all other experiments, to various chances in the execution. The tables upon which the calculations are built are the Bills of Mortality of London and the Breslau tables; and, admitting them to be strictly accurate (for which there is strong reason to believe to the contrary), they are compounded of diseased as well as healthy persons, of those who are embarked in dangerous as well as other employments, without pointing out the proportions they bear to each other, and yet, as the petitioners

propose to insure only such even of the healthy as are not employed in dangerous occupations, the register of life and death ought to be confined, if possible, for the sake of exactness, to such persons only as are the objects of insurance, whereas the calculations offered embrace the chances of life in general, the healthy as well as the unhealthy parts thereof, which, together with the nature of such persons' occupations, are unknown numbers." The commissioners do not seem to have considered that this but made the company safer.

Another ground for refusing the petition was stated as follows: "If the petitioners then are so sure of success, there is an easy method of making the experiment by entering into a voluntary partnership, of which there are several instances in this business of insuring; and if, upon such a trial, these calculations are found to stand the test of practical experiment, the petitioners will then apply with a much better grace for a charter than they can at present, whilst the scheme is built only upon speculative calculations."

The promoters adopted this suggestion and actually did start under a deed of settlement which caused the organization to be an unlimited liability copartnership. It will be observed that this contention, which seems so modern to Americans, that there should be a right of assessment retained by mutual companies, appeared at this early day.

Actuary Hendricks is quoted by Cornelius Walford

in his *Insurance Guide and Hand-Book*, from which volume the foregoing facts have been drawn, as saying: "No plan of life insurance in its proper form of development as an assured provision of a fixed minimum amount of money payable at death, whenever that may occur—the risk thus extending from the date of the insurance being effected up to the expiration of the whole term of life—had been contemplated by a company or society, or had been considered by any legislature in Europe prior to the year 1760, when discussions ensued in England, preliminary to the formation of the Equitable Society in 1762."

THE OLDEST LIFE INSURANCE COMPANIES.

The three oldest old-line companies in the world are the London Assurance Corporation and the Royal Exchange Assurance Company, both chartered in 1721, and the Equitable Society for the Assurance of Lives and Survivorship, organized in 1761. The two former were and are stock companies, doing a general insurance business as well as life insurance. The last-named company is a mutual company, devoted solely to the business of life insurance.

For many years the business of the Royal Exchange and London Assurance in life insurance was confined to what is now known as term insurance, or taking a risk for a short time, the premium being fixed on a "hit or miss" basis, usually without any special attention to age, but with particular attention to any special hazard that was contemplated.

The organization of the Equitable marked the institution of correct methods in life insurance. From the beginning it offered policies for the whole period of life at level premiums.

The commission to whom the application of the organizers of the Equitable for a charter was referred recommended that a charter be not granted, basing their adverse report particularly upon the fact that an attempt was to be made to furnish permanent insurance at a level rate of premium. The following is part of

the language of their report: "The success of this scheme must depend upon the truth of certain calculations taken upon tables of life and death, whereby the chance of mortality is attempted to be reduced to a certain standard; this is a mere speculation, never yet tried in practice, and, consequently, subject like all other experiments, to various chances in the question." Fortunately, this experiment has turned out well.

HAS ANY REGULAR COMPANY LET ALL ITS BUSINESS RUN OFF?

No regular company has ever yet permitted all its business to run off, for the reason that when the business gets small, companies commonly reinsure, having ample funds for that purpose, and thus retire from business without permitting the business to run out. There is a notable case, however, in the United States itself, of a company which certainly could run out in the manner mentioned. Moreover, it is all the more remarkable since this very company was considered to be practically insolvent nearly twenty years ago. The company referred to is the National Life Insurance Company of the U. S. A., with nominal headquarters in Washington and actual headquarters in Chicago. The rates charged by this company were so low as to be considered by many as insufficient. It had been made the catch basin for all the bad business of a number of insolvent companies through reinsurances; and it was barely able to qualify as having the requisite reserve on the $4\frac{1}{2}$ per cent. American Experience standard, with its capital of \$1,000,000 practically entirely dissipated.

Since then it has done no new business, but its report to the Illinois Department for 1897 shows assets of \$1,950,050; while all the policies in force at their face value amounted only to \$1,754,765. It follows, there-

fore, that this corporation could easily pay off these policies in full without demanding any further premiums, and still have nearly \$200,000. Its actual reserve liability on these policies is \$913,432. The remainder of the amounts insured under the policies is considered to be covered by premiums still to be received upon them and the interest which will be furnished upon the funds up to the time the deaths occurred. The mortality of this company for the year 1897, although it has done no new business for about twenty years, was safely within the expected losses, according to the Actuaries' table.

BEFORE THE DAYS OF MEDICAL EXAMINERS.

In the beginning there was no selection of risks by means of medical examinations. The directors of the company passed upon each application themselves. The statements of the applicant, his personal appearance, his age, his manner of living and things of this sort determined the question of his acceptance or rejection. The existence of some slight ailment or even of more or less serious ailments, if they were of a chronic and not frequently fatal character, did not prevent his acceptance. Of course to discern minor ailments or obscure evidences of fatal disorders was plainly impossible.

The first use made of physicians was by requiring the insured to get a reference from their own medical attendants. This began to be done first concerning persons who were at the time of application under their treatment or who had been recently, or possibly who had been some time before, if for a serious matter. For a long while no other medical selection was required.

It must be remembered also that in those early days there was practically no soliciting. Persons presented themselves for life insurance. Nowadays medical directors regard with extraordinary suspicion every case of a person coming to the office and voluntarily applying for insurance. Doubtless there was quite as much rea-

son for suspicion in those early days. With comparatively rare exceptions, men do not turn their thoughts to this subject unless they are appealed to either by the argument of some person or by the fact of having something happen in their own families or among their immediate friends to warn them that life in the body is not perpetual. As the operations of companies began to spread over larger territory and especially as some of the business came to be done through the medium of solicitors either openly or secretly, the practice of requiring every applicant to appear personally before the directors began to be disused. Still in 1826 Charles Babbage wrote on the subject: "It is required by all the companies that the party on whose life the assurance is to be made should appear personally before the board of directors; but as this may be highly inconvenient to persons at a distance, it is generally dispensed with, on the payment of a certain sum per cent., estimated on the first payment only. It is perfectly reasonable that a fine for non-appearance should be required, because it in fact causes an additional risk, for even when the certificates required from the referees are quite satisfactory, it sometimes happens that a board of directors refuse to undertake the risk from some appearance of latent disease, which a medical eye may detect in the countenance long before it becomes observable to others."

It will be observed that it had become the practice

also to have some physician among the directors, so that the company might at least have the advantage of a physician's superficial examination by looking at the person applied. Out of this practice was destined to grow the now universal custom of careful medical inspection.

It may be interesting to know what was the rate of fine for non-appearance before the directors. It varied from one-half of one per cent. to one per cent. of the sum insured, payable once only.

OLDEST STOCK COMPANY IN THE UNITED STATES.

The oldest company with capital stock, a part of the business of which was to sell life insurance, was the Massachusetts Hospital Life Insurance Company of Boston, which was organized in 1818, with a capital stock of \$500,000. In addition to its life insurance powers, it was given authority to manage estates in trust, and to deal in real estate. These branches of its business were not embarrassed by any harsh or unreasonable restrictions or burdens.

On the contrary, as to life insurance, its charter provided that the company should be required to pay to the Massachusetts General Hospital one-third of the net profits each year. In 1858, on November 1, when a report was made to the Commissioners of Massachusetts, that company had 152 life policies in force, insuring \$133,200. It had at the same time seventy-three annuities outstanding. Singularly enough, one of these, for \$40 per annum, according to the statement of the Commissioner, "could have no value according to our table of mortality, the person to whom it was due having already exceeded the age of 100 years."

Handicapped thus from the start by being required to pay one-third of its profits in support of the hospital, the company promptly withdrew from the life insurance business. Of course, this alone would have been

sufficient to cause it to withdraw; but it is very doubtful whether it would not have withdrawn anyhow. The experience has been that the companies which organized in those early days to do both a trust and a life insurance business, whether in Pennsylvania, New York or Massachusetts, have for the most part done a trust business principally or exclusively.

A LIFE INSURANCE CHARTER REFUSED IN 1833.

In 1833 a petition was presented to the legislature of New York for a special charter for an institution to be known as the American Life Insurance and Trust Company. The petition was referred to the Committee on Banks and Insurance Companies which reported adversely, and which gave as its reason the following: "But your committee are constrained to express the opinion that the rate of premium on life insurance now exacted by the New York Life Insurance and Trust Company is much too high to deserve the encouragement of the legislature, and that the business of life insurance as conducted by that company will not subserve the ends above mentioned, and does not furnish to individuals having a surplus income the means of profitably investing such surplus for the future benefit of his family, or others."

The committee endeavored to demonstrate the proposition that the rates were too high by referring to the fact that, if the premiums were accumulated at 4 per cent., compound interest, the accumulations would exceed, at the end of the expectation of life, the face of the policy.

It is interesting to compare these rates with the rates of premium nowadays. The premium at age fifty-five, as quoted in the report, was \$5.78 per annum on each

\$100 insured, equivalent to \$57.80 per thousand. This was non-participating and is higher than the non-participating rate of the Travelers, which is, at the same age, \$49.40. It is not quite so high as the participating rate of the leading New York companies, which is, at the same age, \$61.60 per \$1,000.

The system of selling a paid-up policy is peculiar, and deserves to be mentioned here. The following is from the committee's report: "A practice which is said to have found some encouragement with the company referred to is that of an individual purchasing an annuity of the company by the present payment of a gross sum, and then insuring upon his life an amount for which the annuity thus purchased constitutes the appropriate annual premium, by immediately pledging the former for the payment of the latter. To exemplify this double operation the committee have again assumed the case of an individual of the age of fifty-five years, who, by the payment of \$1,200, secures an annuity payable during his life of \$100. By pledging this annuity he effects an insurance on his life, by which he secures to his family at his death the sum of \$1,730."

This is equivalent to a single premium of about \$700 per \$1,000 at age 55. The full participating rate of the leading New York companies is, at the same age, \$736.38 per \$1,000; but the non-participating rate of the Travelers is only \$558.75.

Taking into account the fact that interest was much

higher in those days, it does appear that the rates charged were really excessive; but it seems rather queer for a legislative committee to report unfavorably as to chartering a competing company because the existing company charges too high a rate.

Another objection was that in the judgment of the committee no such company should be permitted to assume obligations for more than two and one-half times its actual paid-in capital. This conclusion was arrived at by reasoning from analogy, that being the basis of the limitation to note issues by banks.

When the report was made the New York Life and Trust Company had been in business for about two years, with the enormous paid-in capital for those days of \$1,000,000. It had done a large trust and banking business, its deposits amounting on January 1, 1833, to \$2,475,523; but its life insurance business was in striking contrast with this. It had insured but 183 persons, of whom but 150 were still with the company on January 1, 1833. Its premiums for the year 1833 were only \$9,333.73, and its total premiums for two years' business were \$18,217.67, showing that there was no material increase in the second year over the first. The total insurance in force amounted to only \$454,550.

Perhaps the members of the committee thought that there was not enough to divide.

THE BEGINNING OF LIFE INSURANCE AGENCIES.

The earliest life insurance companies were composed of men who wished insurance, and any other person who wished insurance had to apply direct to the company for it. At about the beginning of this century the business began to be conducted by agents, which practice was thought so reprehensible by one of the most famous actuaries and writers on insurance, Francis Baily, that in his book, *The Doctrine of Life Annuities and Life Assurances*, he referred to the practice in the following severe manner:

“A more just and equitable scale ought to be adopted by those societies who do not make any return to the assured of the vast profits that arise from this species of daily traffic, and would tend more to the increase of their business in this way, and would likewise be more honorable to themselves, than the disgraceful practice of *bribing* solicitors, agents and others to effect insurances at their offices, thereby notoriously inducing those parties to *sacrifice* the interest of their employers and their friends. For the money which is applied to this base purpose can be considered in no other light than as *unjustly* taken from the pockets of the *assured*, and would be more properly and more equitably employed in being appropriated towards a reduction of the rate of assurance; since, if the company can afford to allow

it to the *agent*, it surely can afford to allow it to the principal, and it evidently belongs more *justly* to the latter than to the former."

As if this were not enough, he added a foot-note, which is here reproduced, italics, punctuation and all:

"Many of the public companies, who do not make any return of the profits to the assured, allow a *liberal premium* (generally 5 per cent. on the payment made) to any person who will procure an insurance to be effected at their office; and this commission is also allowed to *any* person who makes the *annual* payment *provided it be not the party himself*. An artifice which is easily seen through, but which opens such a door to fraud and imposition that it cannot be too severely reprobated. And however much it may be sanctioned by the directors in their *public* capacity, we are all aware what their emotions would be if they discovered any of their tradesmen tampering with *their own* servants in this opprobrious manner, since they must well know *who* would eventually pay for it. I omit to give the names of those companies who have adopted this nefarious practice, under the hope that such a mean and improper artifice will not be encouraged in future."

It will be observed that life insurance agencies practically sprang from a system of rebating to the employés, friends or relatives of the applicant. Something very like our modern rebating, therefore, seems to have produced the establishment of agencies. It also

appears that the modern practice of procuring "spotters" among the friends and relatives of the prospective applicant by secretly promising a commission is a very venerable one.

AN OLDEN TIME ARGUMENT AGAINST AGENTS.

Samuel Brown, F. I. A., under the pseudonym of "Crito," contributed to the *Post Magazine*, of London, in 1847, a communication on *Commission on Life Assurances*, beginning with the following, which shows the common estimate then of the agent's occupation, as well as many peculiar facts concerning his compensation in those days: "The subject of commission paid by assurance companies for the purpose of increasing their business, or, as many are led to believe, for the more patriotic motive of extending the benefit of assurance to the unreflecting public, is forcing itself daily more on our notice. If it be argued that commission is not offered in the shape of bribe, since the members of an honorable profession would scorn the base insinuation, for what purpose is the inducement so constantly held out, more especially by the new companies to whom the accession of business is of the most importance? Do the offices combine together for the purpose of voluntarily reducing their premiums, or insisting on rewarding the agents for their public spirit and patriotic feelings in thus promoting a great national object? Or is it not rather notoriously the fact that, either by private or public arrangement, some of the companies continually step ahead of their fellows and hold out the gilded attraction in a still more glittering light? We hear of

one office which has advanced from the sober, steady 5 per cent. to an increase of 5 per cent. more for the first year, and of another which offers 35 per cent. on the first year's premiums only, and though a very simple calculation will show us that, at the average age at which parties assure, 5 per cent. per annum is worth more, by any standard tables of annuity, than 7 years' purchase (perhaps double this value would be under the mark) and consequently that the former is a much better bargain for the uncalculating, unselfish adviser than the latter; yet the assertion which we have made above that the temptation must be increased or varied so as to present a more attractive shape seems fully proved. Where is all this to end? If the companies are to continually underbid each other, the limit will only be reached where the agents obtain the highest and the assurers the lowest amount of profit at which the company can exist. What is to be done next? Like a competitor who has run himself out of breath the company and its circle of paid supporters will, with mutual vexation, observe their more vigorous opponents pass them in the race and will stand with regret to watch others with greater strength of purse overtake them in the rush for professional or public favor. In the meantime, who pays the expense of this lively contest?"

Probably nobody nowadays would consider that there was any danger of a company's being extravagant which paid commissions as small as those named by the irate

and indignant Mr. Brown. There is, at once, a striking analogy between his indignation and that of the modern foe of rebating, while at the same time the difference in the point of view is very manifest, since he was thinking primarily of the interests of the insured, while the enemy of rebating is thinking primarily of the interests of the agent and company.

This quotation is interesting also as indicating that the progress of insurance agents on the whole has been toward respectability and not away from it. In Mr. Brown's days men were life insurance agents, if at all, surreptitiously and shamefacedly. To-day if any agent fails to command the respect due a gentleman it is certain to be either because he is not a gentleman or because some other agent has not conducted himself as a gentleman, and he is made to suffer vicariously.

Mr. Brown proposed as a substitute for agent's services the following: "It is a point, too, worthy of long consideration whether the members of a society would not feel it incumbent upon themselves to introduce their own friends without other fee or reward than that of strengthening the company in which they are interested themselves, and profess to be the best adapted for their friends also, rather than depend upon a system, the effect of which, however it may be intended for a good object, is to act as a bribe; and few will deny that bribery, under whatever name it may be concealed, is vicious in principle and indefensible in practice. It is

a system which is easy to introduce, but from which we, as yet, know no instance of a society extricating itself. These are some of the principal objections to the practice. We may refer to another which we have heard made, but to which, it is fair to state, we cannot attach much importance; that as the agents are more interested in the quantity than the quality of the goods supplied, if we may use such a term, the offices might suffer materially by the introduction of bad lives."

THE FIRST ACTUARY IN THE UNITED STATES.

It would be very foolish probably for anybody to engage in a dispute as to who is the first actuary in the United States in reputation and ability. The reader may be surprised to know that it is almost as fruitless to try to solve the question of who was the first actuary in the United States from the standpoint of priority.

The title was claimed definitely by N. G. De Groot, who says in a letter to the *American Life Assurance Magazine*, dated December 9, 1872: "I am the oldest actuary in the United States, having acted professionally in London and elsewhere since 1826, and having been actuary of one of the New York companies from 1851 to 1868."

It will be observed that Mr. De Groot, while he may have been the oldest actuary in the United States from the standpoint of his practice of the profession, did not begin that practice in the United States until 1851. Before that date, and, in fact, practically from the beginning of the company in 1846, Charles Gill had performed the duties of the office of actuary for the Mutual Life Insurance Company.

Other persons long before that time had possessed some smattering of actuarial knowledge. The first person who bore the title of insurance commissioner, a Mr. Blunt, of Brooklyn, who was appointed as a spe-

cial commissioner by the New York Comptroller, showed in his attack on the New York Life Insurance Company that he understood the elements of actuarial science. The only reason, no doubt, that he did not hang out his shingle was because he did not get an opportunity to examine the company and thereby air his knowledge. One of the effects of the attack was to cause the company to employ a person who was familiar with insurance mathematics as practiced in the office of the Equitable of London, to do actuarial work.

Far back of the dates mentioned, however, at or before the time the Presbyterian Ministers' Fund was organized, and when the New York Life Insurance and Trust Company came into the field later and a number of Philadelphia life and trust companies appeared also, there were persons who knew something about the rudiments of actuarial science.

Notwithstanding these things, and notwithstanding also the importation of Mr. De Groot and the appointment of Mr. Gill, followed later by the appointment of Mr. Homans, largely because he was the son of his father, who was a prominent man in New York financial circles, the fact remains that before Elizur Wright began his crusade the country was without a person who actually achieved a high reputation on account of his actuarial attainments. Mr. Wright gave a tremendous impetus to actuarial studies, and until the companies were supplied with skilled men his services were

in very great demand throughout the country. William E. Starr, actuary of the State Mutual of Worcester, Massachusetts, has been actuary of that company since its organization in 1848, and still serves it, though 87 years of age. His engagement seems to have been earlier than that of Mr. De Groot.

STAMP TAX THAT BROUGHT THE REVOLUTION.

In these days of stamp taxes levied by the United States government, and, indeed, in all days, since insurance companies are always favorite marks for taxation, it is well to know to what exactions our forefathers in the early history of life insurance were compelled to submit.

Incidentally we shall also thus learn what our forefathers would not and did not submit to. For the imposition of these taxes upon residents in the American colonies lost them to Great Britain and divided the English-speaking people of the world. Taxes upon insurance policies were a part of the offensive stamp tax act.

The tax remained substantially the same in England from the date of its original levy, in the days of George III, until after the middle of this century. The following are the figures, according to David Jones in his great work on "Annuities and Reversionary Payments:—"

For sums not exceeding £50.....	£0	2s.	6d.
For from £50 to £100.....	0	5	0
For from £100 to £500.....	1	0	0
For from £500 to £1,000.....	2	0	0
For from £1,000 to £3,000.....	3	0	0
For from £3,000 to £5,000.....	4	0	0
For more than £5,000.....	5	0	0

It will be observed that these are pretty stiff figures, and also that the best end of it is given to large policies, while policies for such amounts as are commonly sold by our industrial companies are very heavily taxed.

Compared to these exactions our taxes levied during the Civil War period were modest indeed; they ran as follows:

Sums not exceeding \$1,000.....	\$0 25
From \$1,000 to \$5,000.....	50
Above \$5,000	1 00

The Spanish War tax, recently levied, is 80c. per \$1,000.

AMERICAN INSURANCE ABROAD.

The first American insurance company to begin a foreign business was the Germania Life of New York in 1869. This company, indeed, was from the start almost as much a German company as an American company, a very large proportion of its business being done in the old country.

The same year the Home Fire Insurance Company, of New York, began business both in Germany and Great Britain. American fire insurance companies, however, have kept pretty well at home; for not merely was the precedent of the Home not followed, but its own foreign business was abandoned.

The Equitable of New York was the first American life insurance company to invade Great Britain. It began business in Ireland and the North of England early in 1870. The New York Life followed very shortly, beginning business in London and on the continent of Europe in April, 1870. The North American Life Insurance Company, since defunct, also tried doing business in Great Britain.

The last-mentioned company reinsured the Eagle, a British company of considerable magnitude. The New York Life Insurance Company at one time was expected to reinsure the European, but fortunately for the American company it did no such thing. The *Insurance Cyclopædia* of Cornelius Walford, from which these

facts are taken, was written at the time when these negotiations were pending, and he says of the matter: "It will be a great blessing to the policyholders to find themselves in such a sound company."

Singularly enough British life insurance companies have never been able to do well in the United States, while British fire insurance companies have done very well indeed. On the contrary, American life insurance companies have scored a success in their foreign business; while American fire insurance companies have found it desirable to remain at home. The business of American life insurance companies abroad exceeds \$220,000,000 at this time.

THE ORIGINAL UNDER-AVERAGE COMPANY IN THE UNITED STATES.

The more modern development of the insurance of under-average risks began about seven years ago, when the Life Insurance Clearing Company, of St. Paul, now of badly besmirched memory, was organized, and in spite of the fact that that company has gone down this form of insurance has found lodgment elsewhere, and is now considered a permanent feature of life insurance. By many in the life insurance business it has been supposed that this was the beginning of the insurance of impaired lives in the United States. The beginning, however, was thirty-five years ago, viz., in the year 1864, and the first company to attempt that business in the United States was the ambitious and very enterprising Universal of New York.

Concerning that company and its proposed policy Elizur Wright, in his report for 1865 as commissioner for Massachusetts, speaks in the following favorable terms: "The Universal, a new company turned out by the same piece of legislative machinery, stands before the public with a charter which may well command special admiration. It is proper to say here that the incorporators of this, as well as of the company above named, are gentlemen of the highest respectability and of great experience in life insurance. For this very reason none better than they will appreciate the force

of the remarks we feel called to make. A part of the business they propose is that of insuring, at advanced rates, such portions of the lives rejected by other offices as they may consider properly insurable in that way. This has been practiced with apparent safety to the company and benefit to the public by several companies in England, and that it is desirable here no one who has any faith in life insurance or acquaintance with the business can doubt."

The initiative of the Universal was followed by several companies. There is no evidence that the under-average business was in itself disastrous. But it so happened that every one of the companies which engaged in it failed. An examination of the facts will show that their failure is fully explained, without assuming that it was in any way due to their having engaged in this branch of business. But, of course, it was natural that the other companies of the country should be disinclined to take up a branch of business which had not been proven successful by a single company that engaged in it making a success. Therefore, it happened that persons who were rejected as first-class lives were deprived for many years of the privilege of obtaining insurance at all.

RENEWABLE OR CONTINUABLE TERM INSURANCE.

A very popular form of life insurance for a number of years has been known as renewable term. The Ætna and the United States, among the older companies, and the Provident Savings and most of the other newer companies, have done a large business in term insurance. The nature of that class of insurance is understood sufficiently by all insurance agents, but a little knowledge of the history of its invention and introduction in the United States will not come amiss.

In the '70's, or, to be more specific, about 1873, the two older companies mentioned began to write this form of insurance. The Ætna had a copyright of its plan under the name of "Renewable Term," and the United States had one under the name of "Continuable Term." The former name has become a generic term, and the Ætna, to its credit be it said, has, as far as is known, never tried to enforce its claim to the exclusive right of using the name.

Just which company was on the market with the plan first is a matter open to dispute. The Ætna has laid claim always to having been the pioneer, and the claim is borne out in part, at least, by the fact of the name which it employed. The name seems to be the most reasonable and natural, while "continuable" is an awkward expression and far less likely to have been selected

except under the influence of the knowledge that the better name had been appropriated.

In the *American Life Assurance Magazine* in 1872 appears the following statement: "W. D. Whiting, Esq., the talented actuary, has recently brought out a new plan of life insurance, the copyright of which has been assigned to the United States Life Insurance Company, of New York. The plan is so novel, so practicable, and withal it contains so many elements of popularity that we shall devote to it the financial article of the month." Then followed a description of the plan, including most of the salient features that are familiar now. The rate was \$10.77 at age 25; \$11.76 at age 30, and \$13 at age 35 for a five-year renewable term policy.

The *Ætna* for a long time made a specialty of the ten-year term almost exclusively, and rarely sold policies for any other term on a renewable basis. The plan of the *Ætna* and that of the United States involved the accumulation of surplus throughout the period of the policy, and the application of it, if the policy was renewed, to make the premium for the succeeding ten years the same as the premium paid formerly. It is said that one of the companies, at least, has renewed the policies successfully for a third term of ten years at the original rate, the insured being twenty years older.

LAWS REGULATING INSURABLE INTEREST.

Originally in Great Britain and this country insurance was considered gambling, and it was not always designated as a "hedge." The early English companies had no hesitation whatever about issuing a policy, even of life insurance, to a person who had not the remotest interest in the person insured; and among private underwriters the conditions were worse. Thus, when a man was put in jeopardy for a crime, betting in the form of insurance on his life was frequent. When battles were to be fought large premiums were paid for insurance on eminent participants. There is a record that when George II fought at Dettingen a premium of 25 per cent. was paid for an insurance of his return. The lives of adventurous persons, eminent in counsels of state or in war, were made favorite objects of speculation.

In the state of New York in 1834 a legislative committee recommending that a charter be not granted to a proposed rival of the New York Life Insurance, Annuity and Trust Co., which monopolized the life insurance business, spoke of life insurance as gambling, and endurable only because of commercial necessities.

In 1774, only two years before our declaration of independence, Great Britain enacted a law that defined insurable interest and prohibited insurance in favor of persons who had no interest. The prohibition is peculiarly

sweeping and positive, thus: "No insurance shall be made by any person or persons, bodies politic or corporate, on the life or lives of any person, or persons, or any event, or events, whatsoever, wherein the person, or persons, for whose use or benefit, or on whose account such policies shall be made, shall have no interest, or by way of gaming or wagering; and every insurance made contrary to the true intent and meaning hereof shall be null and void to all intents and purposes."

The act was known as the Gambling Act. It did not by its terms extend to America, and, as most of the judges of Great Britain held that gambling insurances were good at common law, it has been thought by many that the American colonies and states were without such laws, unless especially enacted therein. The fact is, however, that in most states the law existing in Great Britain at the time independence was declared is considered to be law here, and the precedents are followed wherever there are no statutes. Moreover, our American judges read differently the common law, agreeing with a respectable minority of the British courts that gambling insurances are void as against public policy.

There is, however, an increasing tendency in this country to feel that nobody is so well qualified to judge who has a reasonable expectation of benefiting by his living as is the man himself, if in full possession of his faculties. From that sentiment the practice of writing policies in favor of nominees, with the privilege of

changing the same, has grown. It leaves the whole question of insurable interest open, to be settled after the death of the insured. Another way to circumvent the restriction has been to issue insurance in favor of the person whose life is covered, and have him pass title by assignment. The trouble is that such assignments without sufficient consideration are considered by many courts, although by not all, to have passed title to no larger part of the proceeds of the insurance than the amount paid as a consideration, with interest thereon.

There is a laxity, however, nowadays as to lawful interest, accompanied by anything but laxity as to real insurable interest. That is to say, there is a recognition of the principle, without slavish subserviency to its form as crystallized in law. No company would issue a policy on a man's life, the premium to be paid by the beneficiary, unless assured that the beneficiary's interest was, and would continue to be, larger than the insurance. But, on the contrary, when the insured pays the premium, there is a disposition to let him choose the beneficiary; and, unless the title of the beneficiary is disputed before the claim is paid, it is paid usually as designated without protest. American courts are not prone to compel double payment, nor to consider actions brought to recover where a company has paid the claim, provided there appears to be no evidence that the company was advised, either actually or constructively, of a counter-claim. Sometimes the companies, when

doubtful about the right of the beneficiary to recover, require a bond before paying the money. If there are contesting claimants, the companies wash their hands of the whole matter by paying the amount into court to await its disposition.

ENFORCING PUNCTUALITY.

Nowadays policies of life insurance are so liberal concerning grace in the payment of premiums, and such reasonable concessions are made to the insured, that it is difficult to conceive of companies constantly taking advantage of their policyholders, as was done frequently by many companies, and habitually by some, in the '70's. There would be little, if any, money for the company in such a course now, because very liberal surrender values are given and the surrender values attach, in some form, without action on the part of the insured and immediately after a failure to pay premiums.

Years ago nearly all of the companies were very exacting and the surrender values were very illiberal. It appeared, therefore, to be a wise and profitable thing to take advantage of the insured whenever, by any negligence, he permitted his premium to remain unpaid. Therefore, it happened that complaints appeared frequently. Now we hear only occasionally of a case of that sort, mainly when companies give secret orders that the old and harsh rule shall be enforced against certain policyholders whose patronage is not desired.

The reason for such behavior in those days is not far to seek. A very large number of American companies were tottering. It seemed reasonable that they might be able to cure their impairments by dealing as harshly with the insured as the case required, so that the claims

of many of the policyholders might be forfeited to the company, thus relieving it from liability on that account and contributing to meet other liabilities. That course was followed generally by the concerns, disastrously by almost all of them, but with some measure of success by a surviving company, the National Life Insurance Company, now of Chicago.

So loud and numerous were the complaints against the procedure that the matter reached the New York legislature, and a bill, that passed both houses in 1873, provided that in the payment of premiums a grace of 30 days be given, and that payment might be made by mailing a certified bank check, draft or post-office order. The bill did not receive the approval of the governor and failed to become a law.

HOW DR. PRICE ANTE-DATED DARWIN.

It is interesting to life insurance men to know that Dr. Richard Price, author of the Northampton Table, and one of the earliest and most famous actuaries, who was, besides, a friend of Benjamin Franklin, and an earnest student and scientist, preceded Darwin in discovering some of the effects of sexual selection. The difference is that Dr. Price dealt with men and not with animals in deriving his conclusions, and also that he did not carry his reasoning to its logical conclusion.

It will be remembered that Darwin demonstrated that in all probability the variations which take place in species are perpetuated through a system of conscious selection by the females of those males of their species who are most beautiful in their eyes. This must be sharply distinguished from his other theory of natural selection, which was the "survival of the fittest," that is to say, the survival of those specimens of each species which were best able to cope with the conditions. Sexual selection is but a part of natural selection. A large part of the struggles between males of each species, during which strife many of them succumb, is for the possession of the females; but this is not what is meant by sexual selection.

Singularly enough among men, owing to the comparatively dependent financial position of women in the past, sexual selection has taken place mainly on the

part of the males instead of the females. It was that fact which Dr. Price pointed out. He was compelled to observe it in order to account for the peculiar fact that unmarried women did not live so long, on the average, as married women, despite the dangers to which childbirth exposed the latter. This could only be accounted for on the theory that unmarried women were on the whole of less vitality. This in return could only be accounted for on the theory that only the best specimens, physically, are selected for marriage. Therefore, Dr. Price came to the conclusion that there is a process of natural selection which results in the mothers of the race being somewhat more vigorous than women who are not chosen in marriage.

MISCELLANEOUS.

SIMPLE AND COMPOUND INTEREST.

Very few persons appreciate what is the effect of compounding money. If most investors of money actually collected interest promptly and reinvested the same, they would soon own the earth and the fullness thereof. It is perfectly fair for an agent to say to his "prospect" that unless he set out upon some such system of saving as is employed in a life insurance policy, he will in all probability not succeed in obtaining compound interest upon his funds at any rate, whether large or small.

The manner in which money increases at compound interest is really marvelous. Compared with it, simple interest seems to be creeping. The following table, taken from Cornelius Walford's *Insurance Guide and Hand-Book*, illustrates the relative time it takes to double money at simple and compound interest:

2	per cent.	Simple	50	Years.	Compound	35	Years.
$2\frac{1}{2}$	"	"	40	"	"	28	"
3	"	"	$33\frac{1}{2}$	"	"	$23\frac{1}{2}$	"
$3\frac{1}{2}$	"	"	$28\frac{1}{2}$	"	"	$20\frac{1}{4}$	"
4	"	"	25	"	"	$17\frac{1}{2}$	"
$4\frac{1}{2}$	"	"	$22\frac{1}{4}$	"	"	$15\frac{3}{4}$	"
5	"	"	20	"	"	$14\frac{1}{4}$	"
6	"	"	$16\frac{1}{2}$	"	"	12	"
7	"	"	$14\frac{1}{4}$	"	"	$10\frac{1}{4}$	"
8	"	"	$12\frac{1}{2}$	"	"	9	"
9	"	"	11	"	"	8	"
10	"	"	10	"	"	$7\frac{1}{4}$	"

In long periods of time the difference between the accumulations is still greater in proportion. One of the earliest actuaries, Francis Baily, calculated that if up to the year 1810 one English penny had been out at 5 per cent. compound interest from the birth of Christ, it would have amounted to more money than could be expressed by 357,000,000 globes, each as large as the earth and all of solid gold, while if it had been put out at the same rate of simple interest, it would have been only 7 shillings 7 pence $\frac{1}{2}$ penny.

The fact is that in these modern days of concerted action, about all a man has to do in order to accumulate money is to put it by, keep his hands off and let it grow. The average man proceeds about as the foolish boy in the story we used to have in our readers, who dug up the corn which he had planted in order to see if it had begun to grow. Almost all men are in the

habit of taking up their investments, and of paying little attention to the trifling amounts which come in as interest and seeing that they are promptly reinvested.

Through the medium of a life insurance policy the insured is freed from the necessity of bothering with re-investment. The fund automatically grows. It shares in the average profits realized by the company.

ARE BROWN EYES INDICATIVE OF SHORT LIFE?

In the examination blanks of some, if not all, life insurance companies at the present time there appear inquiries as to the color of the hair and eyes, and as to the complexion. Of course, most life insurance agents suppose that the inquiries are for statistical purposes or identification. No doubt they answer such purposes, among others, and the agent is warranted further in supposing that no special importance is attached to the answers, because he does not find that lives are rejected on account of the color of the eyes or hair, or, except in extreme cases, on account of the complexion.

So far no statistical uses have been made of the information obtained. A number of years ago, however, reasoning on far insufficient data, medical directors and others used to speculate on the question whether some indication of long life might not be drawn from the color of the eyes and hair. The speculation was interesting, and with some very able men it became a hobby.

Thus, for instance, Dr. Lambert, who has been for many years a medical director of the Equitable, but who was connected with another company in those days, stated in the early '70's that it was his belief "that brown eyes were indicative of short life." He said further that for 30 years he had looked in vain in the

United States and Canada for a single person with brown eyes who attained the age of 70.

Investigation of lives accepted by the Equitable under his administration would disclose, no doubt, that Dr. Lambert did not attach enough importance to the speculative opinion to warrant him in rejecting persons on account of the color of their eyes. But the presence of this inquiry in many blanks is a monument to the one-time view that there might be some key to possible longevity as simple as the mere color of the eyes or hair.

ADEQUATE PREMIUMS MORE IMPORTANT THAN CAPITAL.

We are nowadays so accustomed to see the assets of life insurance companies mount up to sums which are enormously more than the capital stock, if any, that it is perfectly plain, or ought to be, that the capital stock in such an enterprise, so far as the additional security to policyholders is concerned, is not an important matter after a company has once established itself.

This is, of course, considering the capital stock as merely so much additional surplus, and without considering any of those other advantages claimed for a stock management as compared with a mutual management. Which of the two classes of management is the better and more economical is still a mooted question; and, in fact, it may be said that experience, in this country at least, shows that both classes of management may be entirely successful and absolutely stable.

The importance of charging a sufficient premium is seen to be far greater than the importance of a comparatively large capital. With insufficient premiums the enterprise must in the long run prove unsuccessful, and the capital must be absorbed and lost. With adequate premiums, and especially if they are somewhat redundant, it has been demonstrated that an enterprise of this sort may push forward to success without any capital whatever.

On both of these subjects the eminent actuary, Griffith Davies, in his *Observations on Life Assurances*, published in 1825, makes the following comments: "The evil of charging excessive premiums cannot, however, long remain in a country where capital is allowed to flow freely from one channel to another, as the natural effects of competition must necessarily reduce the profit on life assurance to the level of that derived from other species of investments; on the contrary, the peculiar nature of the subject renders it extremely dangerous lest the rates for life assurance should be so far reduced as to diminish the security of those who may select this mode of accumulating their savings for the benefit of their families; for, if the premium charged by societies established for these purposes should by excessive competition be rendered inadequate to the payments of the claims, which sooner or later must come upon them, whatever honor, wealth or probity the present managers may possess, whatever capital they may boast of, or however prosperously they may appear to go on even for a considerable time, the result must ultimately terminate in litigation, disappointment, and ruin, *and, instead of a national benefit, life assurance in such a case would inevitably become a national calamity.*"

The unhappy termination of so many of our assessment societies, through collecting inadequate premiums, shows that Mr. Davies, because of his knowledge of causes and consequences, correctly foretold their fate.

WALFORD'S TRIBUTE TO AMERICANS.

In no country in the world has insurance and especially life insurance been so favored as in the United States of America. Not only is the volume of insurance greater, and also the volume transacted each year, but this is also true per capita of population. Moreover, there is greater appreciation of popular works upon the subject as distinguished from strictly technical books. This fact is attested by the great hold the published works of Elizur Wright obtained upon the people and the merited reputation which they gave him. Plain, simple, direct statements of the principles underlying the practice of insurance have always appealed to the American people.

This is so true that many of the English authors, writing upon the subject of insurance within the last 50 years, have relied quite as much upon the sale in America as they did upon the sale at home. Indeed, if we may accept the testimony of Cornelius Walford, author of the *Insurance Guide and Hand-Book* and of the *Insurance Cyclopædia*, which latter work was left unfinished at his death, he was far more encouraged by the appreciation of American readers than by the appreciation of his fellow-countrymen.

In the preface to his cyclopædia appears the following statement: "I cannot tell how far the work may even be welcomed in a popular sense here—the de-

pressed state of our insurance interests, I confess, causes me some misgivings. But I have one abiding consolation, and that is, that every page of it will receive a hearty welcome on the other side of the Atlantic. There it is an axiom of the business, that knowledge is power; and in that spirit every word written, either upon the former history or present practice of insurance, finds in the great body of insurance officials, agents and canvassers countless thousands of readers. I must own (and without intending the smallest disrespect to insurance interests here) that the recognition of this fact has had a sustaining influence upon me; it has often flashed across me during the dreary hours of the night, imparting a ray of hope to the heart and renewed power to the pen."

CONSUMPTION AND OVERWEIGHTS.

Dr. A. Huntington, for many years medical director of the New York Life Insurance Company, was in 1876 medical director of the United States Life Insurance Company, and submitted on the 1st of January of that year the result of "a study of those risks, which, when compared with the American standard of heights and weights, show either an excess or deficiency of 15 per cent. or more of weight." There were 1,496 cases in all, of which 1,110 were overweights, 386 underweights. The overweights were on the average 27 per cent. above standard; the underweights 20 per cent. below. The expected deaths among overweights, according to the Actuaries' Table, were 95.61; the actual deaths were 103. The expected deaths among underweights were 26.05 and the actual deaths were 42.

The connection of the weight with the cause of death is far more apparent, however, when the causes of death are classified as follows:

<i>Causes of Deaths Among Overweights.</i>	<i>No. of Cases.</i>
Apoplexy and diseases of brain.....	17
Bright's disease	2
Consumption	6
Dysentery and diseases of the bowels.....	11
Dropsy, diseases of heart and liver.....	28
Erysipelas, pyemia, diphtheria and fevers.....	8
Pneumonia and congestion of the lungs.....	7
Poison, accident and violence.....	10
Rheumatism	3
Tumors and cancer.....	5
All other causes.....	6
Total	103

<i>Causes of Deaths Among Underweights.</i>	<i>No. of Cases.</i>
Apoplexy and diseases of brain.....	4
Bright's disease	1
Consumption	25
Dysentery and diseases of bowels.....	3
Dropsy, diseases of heart and liver.....	5
Erysipelas and fevers.....	2
Pneumonia	1
All other cases.....	1
Total	42

Upon this Dr. Huntington made the following comments:

"By comparing the above with the analysis of the first 1,000 deaths in the company at large, we have this showing:

"Percentage of deaths in company at large from diseases of brain, heart and liver, 23 per cent.

"From same diseases, in class of overweights, 44 per cent.

"Now, among the underweights the comparison is:

"From consumption, in company at large, 27 per cent.

"From consumption, in class of underweights, 59½ per cent."

All mortuary records, in whatever company or country, have led to the same conclusion. Indeed, so close a connection has been traced between underweight and consumption that the more recent methods of treatment of the disease itself always involve overfeeding, especially with fat-producing foods.

PREFERENCE ON LIQUIDATION.

An interesting thing, not known to everybody, is that upon the winding-up of a life insurance company the loss claimants stand in a very different relation, according as the company is stock or mutual.

Pretty nearly everybody supposes that upon the winding-up of an insurance company the losses which have already occurred would naturally be paid first by the receiver, and thus obtain a preference. Just why one should think so it would be hard to explain, except that one unconsciously relies upon the proposition that "it is the business of insurance to insure."

The fact is, however, that in cases of the winding-up of a stock company the loss claimants come in on the same basis with all other claims, including the claims of policyholders for unearned premiums.

This was repeatedly decided to be the law in the litigation arising from the failure of life insurance companies in the seventies. The contention that the loss claimants had any right to a preference was denied by the courts on the ground that, being creditors, they stood upon the same footing as all other creditors.

It is otherwise in the case of mutual companies. In mutual companies the loss claimants are creditors and the policyholders are not creditors, but members of a mutual company entitled only to their *pro rata* share or

what remains after the full claims of actual creditors have been met.

Thus in the winding-up of a mutual life insurance company loss claimants would have the preference, as also would holders of matured endowments as against all claim for surrender values on the part of other policyholders, whether life or endowment, while upon the winding-up of a stock company no such preference would exist.

It is not clear just which of these two things offers the agent the best of the argument. No doubt the agent of a mutual company, if selling pure insurance, could make out a good case in favor of his cause from these facts; and the agent of a stock company, if selling endowment insurance, could make out an equally good case for his cause.

Anyhow, the distinction is interesting.

ELIZUR WRIGHT ON INSURABLE INTEREST.

Some of the clearest writing that has ever been done upon insurable interest was by Elizur Wright, Commissioner of Massachusetts, in his reports from 1859 to 1864. The following are some quotations from them:

“A creditor can justifiably insure the life of his debtor only for the purpose of securing his debt, and to the amount necessary for that purpose. But a bad debt cannot be turned into a good one in this way.”

“Insuring an unproductive life is like insuring unsalable goods against fire. In either case the company, in effect, offers a reward for the event insured against, only stipulating that the agency producing it shall be so strictly concealed as to be incapable of legal proof.”

“To make an insurable interest, the life of the insured must have a money value to the party in whose favor the policy is made.”

“So, if the life of a husband or father contributes nothing in a pecuniary way to the maintenance of the wife or the children, it is not justly insurable for their benefit, no matter how great the loss of his life might be to them in point of love. There is no money value for the affections.”

“A policy of insurance on the life of a beloved relative when there is really no insurable interest—that is, where the life is a pecuniary burden rather than other-

wise, if not felt to be so—is a very awkward and uncomely piece of gambling.”

Concerning the subject of continuing insurance already in force upon the life of old persons, Wright held that a paid-up policy was entirely proper, on the ground that “the loss has already occurred, and the indemnity, already paid for, awaits the stipulated condition of its becoming due.”

But as to policies which are to be maintained by further payments of premiums, he asks: “Why, after the insurable interest has ceased beyond any chance of recovery, the insured or anybody else should be required to pay further premiums?”

On the subject of a woman insuring in favor of her husband, he says: “If the death of the wife involves no pecuniary loss to the husband, either a policy on her life for his benefit, or a joint policy on the two lives for the benefit of the survivor, is essentially vicious.”

BIRTH INSURANCE.

A class of insurance which became the rage in Great Britain in the early part of the eighteenth century is the insurance of births. So far as is known, it originated in the Republic of Genoa in 1608. It began in England about one hundred years later, in 1709.

The plan was to form a mutual contribution calling for a fixed payment at stated periods or for a certain sum upon the birth of a child to the member, payments to cease whenever his own child was born, at which time one also became entitled to a benefit. Frequently the nominal sum insured was very large, sometimes even so much as \$5,000; but the actual sum realized depended upon the number of subscribers.

At first there were no precautions taken, but after some time it began to be required that the child should be born alive and that births within a certain number of weeks after joining were shut out of benefit.

The first company was called "The Substantial and Profitable Office." This company gave a choice of both of the plans of payments. Its date was 1709. In 1710, from November 22 until December 31, inclusive, there were no fewer than twenty-five of these companies organized, and the rush continued throughout the early part of the following year.

By the 5th or 6th of March of that year parliament passed a law fining any person who should set up such

an office after March 8 \$2,500. This did not require the discontinuance of the offices which had been already opened, but most of them soon passed out of existence.

At a later date several of the life insurance companies in Great Britain undertook also to insure against births; but the amount of the insurance was not payable upon the birth of a child, but only if the child thus born lived to a given age. Thus modified, the plan never proved popular.

FAMILY ENDOWMENTS.

There have been the most remarkable sorts of life insurance offered at different times in the history of the business. One of the most remarkable was that by a company known as the Family Endowment Society, established in England in 1835 with a capital of \$500,000, a very small part of which, however, was paid up.

This society did not insure the life of any living person, neither did it promise to pay an endowment to any living person. The contingencies with which it dealt were contingencies of birth as well as of death. It may be gathered from this that the contract was a very unusual one.

Such it was in fact. It consisted in a promise to pay an endowment to each child, *born of a given couple in the future*, upon that child's becoming of a certain age, such as 21. Thus the company stood a chance to gain the amount of the premiums if the child were never born, or if, having been born, it died before attaining the given age. The usual contract was to pay an endowment upon such child's attaining the age of 21, although endowments might also be secured payable at any other age. If desired, a speculation could be had also by procuring a policy which would be payable only to children of one sex and for that problematical benefit one-half the usual premiums would be charged.

As a general thing, of course, there was little doubt

about a child's being born and that pretty promptly. Married people have such advantages over the insurance companies in prevision on this subject that in all probability the company counted upon the child's being born, and did not discount its premiums on the basis of that being at all uncertain. This is sufficiently indicated, too, by the fact that the premiums were required for 22 years, which would seem to imply that the company expected that by the end of 22 years an endowment would become payable.

The following are specimens of the rates of premium for an endowment of £100, payable upon each future child becoming 21:

Age of the husband.	Age of the wife.	Annual premium per cent. for 22 years, certain.			Or annual premium to cease at husband's death or after the 22 payment		
		£	s.	d.	£	s.	d.
26	20	9	2	3	10	19	0
27	21	8	18	6	10	15	3
28	22	8	14	8	10	11	4
29	23	8	10	11	10	7	5
30	24	8	7	3	10	3	10
31	25	8	3	7	10	0	0
32	26	7	19	6	9	15	8
33	27	7	15	7	9	11	5
34	28	7	11	5	9	6	11
35	29	7	7	5	9	2	7

THE AVERAGE POLICY DECREASES IN SIZE.

The action of many of the companies in reference to increasing their limit of risk, some of them removing it entirely, and the frequent mention of the taking of very large amounts of insurance on one life, would lead one to expect that an investigation of the facts would show that the size of the average policy is increasing. That does not, however, appear to be the case. The facts are to the contrary, according to the *Insurance Age*, which has analyzed the returns of companies reporting to the New York Department, with results as follows:

Year.	Average Amount of Policy.	Year.	Average Amount of Policy.
1859	\$2,852	1875	2,481
1860	2,921	1876	2,458
1861	2,871	1877	2,457
1862	2,819	1878	2,416
1863	2,729	1879	2,418
1864	2,698	1880	2,425
1865	2,774	1881	2,455
1866	2,733	1882	2,467
1867	2,896	1883	2,499
1868	2,844	1884	2,492
1869	2,797	1885	2,482
1870	2,706	1886	2,619
1871	2,676	1887	2,661
1872	2,629	1888	2,703
1873	2,553	1889	2,759
1874	2,498	1890	2,782

<i>Year.</i>	<i>Average Amount of Policy.</i>	<i>Year.</i>	<i>Average Amount of Policy.</i>
1891	2,758	1895	2,565
1892	2,739	1896	2,514
1893	2,699	1897	2,439
1894	2,617		

That is explained partly by the fact that the industrial companies are doing now quite a large amount of ordinary business in small amounts, but the explanation does not cover it wholly. The fact is that, while a few persons are becoming very much richer the number of persons in very moderate or even pinched circumstances has been increased largely, so that it may be expected that the diminution in the amounts of insurance carried by them will far more than offset the large increase on the lives of the few who are very rich.

A REMARKABLE THOUGH MISTAKEN PROPHECY.

The late Henry R. Hayden, one of the keenest insurance writers of his time, once indulged in the view that the future of life insurance, as influenced by the discrimination between risks which bade fair during the '70's to become general, was not promising. At that time several insurance companies were disposed to grade the lives offered them. These companies were naturally among the more daring and venturesome and, let us hope, were driven out of existence, not because of their discrimination among lives, but because of other less admirable fruits of their enterprise. They undertook not merely to grade up, or rather to rate up, when the life was not thoroughly up to the standard, but one or two of them also undertook to rate down or give a lower premium when the risk was better than the average.

The following is part of Mr. Hayden's prophecy:

"There has seemed to me a possibility that the element of distribution, or contribution to loss which has in it a certain element of the principles of socialism or communism, would in process of time be eliminated by science; or, rather, that the probabilities would be reduced to so narrow a margin as not to be worth troubling ourselves about. With a mortality table exactly graded; with a medical examination which rejects

absolutely from 4 to 10 per cent. of the applicants, and which in some hands assumes to grade those who remain according to vitality; with the premium separated into its component parts of insurance, self-insurance and expense, we have only to go a little further with scientific refinements to make it, saving accidents and epidemics, unnecessary for one portion of the people to insure and impossible for the other portion to get insurance."

He returned to the subject later, however, in the following eloquent manner: "Life insurance, as has been well said, is the 'standing together, shoulder to shoulder, of hosts of manly men, to defend each other's homes from that enemy who shoots on the sly and in the dark.' When by our medical examinations we shall be enabled to measure the exact size of each individual mark at which this wily enemy shoots and grade its admission to the ranks by the chances of its being hit, we shall have taken out of life insurance its manliness and reduced the ranks to a scrambling host, each eager for a place of safety for himself. And, however, it may be considered as a triumph of science, it will be the end of life insurance as a social force."

As has been said, the institutions which, as a part of their rash enterprise, undertook to introduce discrimination among lives, passed out of existence in the '70's. Naturally, conservative institutions were for a long time deterred from undertaking this business, simply be-

cause the institutions which had undertaken it failed of success. They did not take the trouble to inquire whether their failure was due to this. It was enough that the companies which had tried it had failed. Within the last few years, however, the insurance of lives which would have been formerly rejected has been again undertaken, and this time, apparently, with success. In any event it is certain that Mr. Hayden's prophecy, that the results of this discrimination would be that fewer and fewer persons would be accepted, has proven erroneous. On the contrary, the result of grading risks has been that a larger and larger proportion of the lives offered is being accepted, which is, after all, what might have been expected.

Life Insurance Terms Defined.

ACCELERATIVE ENDOWMENT. An insurance the maturity of which as an endowment is accelerated or hastened by applying dividends.

ACCUMULATED DIVIDEND. A dividend payable at periods longer than one year, the surplus meanwhile being improved at interest.

ACCUMULATION PLAN. A plan of accumulated dividends. Distinguished from "tontine" by not promising accretions from forfeited surplus.

ACTUAL INSURANCE. The difference between the sum payable at death and the terminal reserve, which difference is the amount the company would have to meet from other funds. See "Cost of Insurance," "Insurance Value," and "Self-insurance."

ACTUARY. The mathematical officer of a life insurance company. In Great Britain also usually the manager. An expert in technical insurance,

ACTUARIES' TABLE OF MORTALITY. A table of mortality, derived from the experience of 17 British offices. First adopted by Massachusetts as a standard. The standard in most States. See "Combined Experience Table."

ADDITIONS. Amounts added, because of dividends, to the sum insured, to be paid with it at death or maturity. Additions may be temporary; *i. e.*, payable only if death occurs that year, or permanent; *i. e.*, payable with the sum insured whenever due. The latter are also called paid-up additions, reversionary additions and reversions.

ADMINISTRATOR. Person appointed by court to administer the affairs of a deceased.

ADMISSION FEE. A fee charged in many assessment societies and fraternities for admission. Entrance fee.

ADVANCES. Loans. Advances, however, may be recoverable, if made to an agent, only out of the commissions as they fall due, or, if made on a policy, only out of its proceeds, while a loan, unless otherwise specified, will be a personal debt also.

ADVANCES AGAINST RENEWAL COMMISSIONS. A loan against the same, usually made to

increase the first year's commissions. At one time such advances were allowed as assets, but now departments do not admit them.

ADVERSE SELECTION. The deterioration of the average life insured by a company, by reason of the withdrawal of healthy lives.

AGE. In life insurance usually taken to nearest birthday. In industrial insurance, however, to next birthday.

AGE ATTAINED. Present age, as distinguished from age at entry.

AGENT. One who acts for another. In life insurance usually either a solicitor or manager of solicitors, the former being commonly called a "special agent" and the latter a "general agent," though both words mean something widely different as construed in the courts.

ALLOWANCES. Sums allowed an agent in addition to commission and salary, as to cover postage, rent, office salaries, etc.

AMERICAN EXPERIENCE TABLE OF MORTALITY. A table of mortality constructed by Shepard Homans from the experience of the Mutual Life Insurance Company of New York and data of the

Actuaries' Table. First adopted as a standard in New York. Now the standard in several States.

AMOUNT AT RISK. Insurance in force. Sometimes the "actual insurance."

ANNUAL DIVIDEND. A dividend which is declared and paid annually.

ANNUAL PREMIUM. A premium which is payable once a year.

ANNUITANT. A person to whom an annuity is payable.

ANNUITY. Literally a payment to be made annually, but also applied to payments made at regular intervals during the year, as quarterly, etc. An annuity certain is one payable for a definite time; a life annuity is payable so long as a given life endures; a temporary (life) annuity, for a given period if the life endures; a deferred (life) annuity, after a given period if the life endures, and so long as it endures; a joint life annuity, until one of the lives fail; a "last survivor" annuity, until both lives fail; a contingent or survivorship annuity, if one life survives another, and so long as it survives.

APPLICANT. The person who applies for life insurance.

APPLICATION. The request for insurance, including representations, promises and warranties made in order to secure insurance. See "Proposal."

ASSESSMENT. A premium demanded for insurance after the same has been furnished; also a premium when of indeterminate amount, even though in advance; also a sum demanded in addition to the regular premium.

ASSESSMENT PLAN. A plan of insurance where the premiums are post-mortem, or of indeterminate amounts, or subject, if found to prove inadequate, to increase by assessments.

ASSETS. Resources; but not including the present value of premiums, other than deferred, receivable in future.

ASSURANCE. Equivalent to insurance.

ASSURE. Equivalent to insure. In Great Britain the distinction is sometimes made that the beneficiary is assured and the life proposed is insured. The distinction is not generally recognized.

ASSIGNEE. The person to whom the benefits under a policy are assigned.

ASSIGNMENT. The transfer of the benefits of a policy from one person to another. May be absolute

when the entire interest is transferred unconditionally; partial when but a part-interest is transferred; and conditional when the transfer is conditional, as to secure the payment of a debt.

AUTOMATIC EXTENSION. A provision by which, upon failure to pay a premium, the insurance is carried for a fixed period as a non-participating paid-up temporary insurance.

AUTOMATIC NON-FORFEITURE. A provision by which, upon failure to pay a premium, the policy is continued in force as before, without forfeiting any rights thereunder, the premium being charged against it as a loan.

AUTOMATIC PAID-UP INSURANCE. A provision that upon failure to pay premiums the policy shall, without action of the insured, become paid-up for such amount as is specified.

BENEFICIARY. The person to whom the proceeds of a life insurance are payable upon the death of the insured. Such a person may also be the legal owner of the policy, entitled to its surrender value or maturity value if an endowment; but not necessarily so.

BENEFIT. The sum or sums payable, whether at death

or maturity or as an annuity. Usually applied only to guaranteed benefit and not to surplus.

BINDING RECEIPT. A conditional receipt given for a premium paid in advance, providing usually that if the company approves the application the policy will be issued and will date from the day the premium is paid.

BOND. A surety instrument, signed by an agent and his sureties, guaranteeing that he will forward all moneys belonging to his company. Sometimes it also guarantees the performance of his duties, and occasionally also even the repayment of loans or advances. Some policies are also called "bonds," endorsements mainly.

BONUS. Equivalent to dividend. The word most commonly used in Great Britain. In America the distinction is sometimes made that it is a profit, not actually called for by the contract, or at least not in such terms as would govern the company in determining the amount. Also a sum paid in addition to the usual commission for an increased business or for a certain amount of business.

BONUS ADDITIONS. The same as "Dividend Additions."

BREACH OF WARRANTY. The failure of anything warranted in the application to be true or to be performed, as the case may be. Such breaches render a policy void—generally only if death occurs within one, two or three years. The laws of several States require a copy of the application to be attached to the policy, in order that its statements and promises may be deemed warranties.

BROKERAGE. A commission paid to a broker, as distinguished from a company's own agent. The word, however, has come to mean more commonly a commission upon the first premium, no commission being paid upon subsequent premiums.

CALL. An assessment.

CANCELLATION. The act of rendering a policy void on the initiative of the company. Companies rarely reserve the right to cancel and very seldom attempt it. Policies which are surrendered are sometimes also said to be cancelled.

CARLISLE TABLE OF MORTALITY. A table of mortality constructed by Joshua Milne from mortality statistics of Carlisle, England. Long a standard table in Great Britain.

CERTIFICATE. The policy issued by a mutual assessment company or fraternity.

CERTIFICATE, FRIEND'S. A certificate to the character and habits of an applicant, furnished by a friend.

CERTIFICATE, MEDICAL OR HEALTH. A certificate signed by the insured (health), or by a physician (medical), or by both, stating that the insured is in good health. Required in reinstating lapsed policies or before delivering policies which have been undelivered for one, two or three months, according to the instructions of the company.

COMBINED EXPERIENCE TABLE. Another name for the Actuaries' or 17 Offices' Table.

COMMISSION. The remuneration of a soliciting agent, based usually upon the amount of the premium. The same is generally due and deductible out of the premium as soon as the same is collected; but sometimes it is payable only when the premium has been paid in full to the company.

COMMISSIONER OF INSURANCE. The chief State official charged with the supervision of insurance. In some States called "Superintendent of Insurance."

CONSIDERATION. The thing because of which a promise is made; usually money, but sometimes also statements and promises.

CONSOL. A bond issued by Great Britain guaranteeing the payment of an income perpetually. The name has also been taken for a policy which pays, after the insured's death, an income during the life of the beneficiary, and upon the beneficiary's death a fixed sum.

CONTINGENT ANNUITY. See "Annuity."

CONTINUOUS INSTALMENT INSURANCE. An insurance which is payable upon the death of the insured, also on maturity, if an endowment, in instalments for a fixed term of years, with the further condition that the payments shall continue throughout the life of the beneficiary, if surviving the fixed term after the death of the insured or throughout the lives of the insured and beneficiary—the last survivor—if one or both survive the fixed term after the maturity of the endowment.

CONTRIBUTION PLAN. A mode of distributing surplus invented by Sheppard Homans and David Parks Fackler, then actuaries of the Mutual Life Insurance Company of New York, and first adopted by it. It provides for a return of surplus as the same is contributed; *i. e.*, surplus from excess interest in proportion to the reserve; from mortality salvage, in proportion to the "cost of insurance;" from expense salvage, in proportion to the "loading."

CONTRACT. An agreement. An insurance policy is considered a unilateral contract, calling for performance on but one side, the conditions precedent being performed. It is also subject to the rule of law that a contract must be construed strictly against the party that draws it up and beneficially to the other party.

COST OF INSURANCE. The mortality charge for the year made against a policy of insurance. The tabular cost of insurance is the cost of the "actual insurance;" *i. e.*, the whole sum payable, less the terminal reserve, at the tabular one-year term rate at the attained age.

CREDITORS. In most States the proceeds of policies, payable to wives or children, are not subject to execution to pay debts of the insured; but this rule is often modified by statute. In one State, Iowa, policies are exempt, even though not payable to wife or children; but in most States policies payable to "estate" would not be exempt. Endowments and their proceeds are also exempt in Iowa, but not elsewhere. Assignments in favor of creditors are usually subject to proof of interest, but not always.

CREDIT FOR PREMIUMS. Agents are not authorized usually to give credit for premiums. In the absence of such authority they may do so on their own account, becoming personally responsible for the

premiums if this is known and consented to by the company. Otherwise, if a renewal premium, an agent might be held liable for the damage done his company as to pay a death loss thereby incurred.

DEATH CLAIM. A claim because of the death of the insured.

DEATH LOSS. A loss because of the death of the insured.

DEATH RATE. Usually the number dying per 1,000 lives exposed. Misleading as a mode of comparing because insured are differently distributed as to ages.

DECLINED. Refused for insurance. Rejected.

DECREASING INSURANCE. A plan where the amount payable at death decreases each year. Two such plans have been used in the United States, one being an insurance for the amounts of "actual insurance" under a whole life or other policy, and the other being an insurance on the natural premium plan for such an amount as an unvarying premium will purchase at the attained age.

DECREASING PREMIUMS. A plan where the premium diminishes each year. Two such plans have been lately introduced in the United States, one reducing the premium each year by 3 per cent. on the

total premiums already paid, and one reducing each premium below the last one by a definite amount until it is wiped out, and thereafter paying an annuity annually increasing by the same amount.

DEFERRED ANNUITY. An annuity the first payment of which is due at the end of a term of years.

DEFERRED DIVIDEND PLAN. A plan of distributing surplus at the end of a term of years.

DEFERRED INSURANCE. An insurance which begins at the end of a term of years.

DEFERRED PREMIUM. A monthly, quarterly or semi-annual premium for the first year of insurance, not paid in advance.

DEFICIENCY. State of having resources of less value than liabilities. Also the amount of impairment. Impairment is sometimes distinguished from deficiency as follows: There is an impairment when the resources are less than all liabilities, including to stockholders; and a deficiency when less than all liabilities, excepting to stockholders.

DEGREE OF IMPAIRMENT. Companies that accept impaired lives often grade them into classes. This classification is by "degree of impairment."

DELIVERY. The actual tender of a policy to the insured or beneficiary. To accept a premium is constructive delivery. To leave a policy merely for examination is not delivery at all. A policy is not in force until delivered, unless by special agreement.

DEPOSIT FOR RESERVE. What remains of the net premium after the "cost of insurance" is deducted. This sum with its interest goes to increase the terminal reserve. See "Cost of Insurance" and "Elements of Premium."

DISEASED LIVES. Lives that are much impaired. In Great Britain lives that are at all impaired.

DISTRIBUTION. A division and allocation, as of surplus.

DISTRIBUTION PERIOD. The term at the end of which surplus is distributed.

DIVIDEND. That portion of the surplus which is distributed to a policy. See "Bonus."

DIVIDEND ADDITIONS. Dividends in the form of additions to the sum insured. See "Additions."

DIVIDEND ENDOWMENT. A life policy which is transformed into an endowment, the dividends being applied to augment its cash value at the end of a

fixed period, or to accelerate its maturity as an endowment for its face.

DOUBLE ENDOWMENT. A contract promising the payment of a sum in event of death during a certain term, and twice that sum if one survives the term. Thus the "actual insurance" becomes a minus quantity after the term is about half completed. This and the fact that the net premium is about the same at all ages from 20 to 60, makes the plan popular for impaired lives.

DUES. Premiums or assessments in assessment societies or fraternities; more commonly only that part which is for expenses.

ELEMENTS OF A PREMIUM. The "net premium" and "loading." Sometimes also the net premium is considered to be further divided into "deposit for reserve" and "cost of insurance," but the line between these two shifts each year. Mathematically, they are complementary variables, one increasing as the other decreases, and their sum always being equal to the net premium. See Elizur Wright's "Savings Bank Life Insurance."

EMBEZZLEMENT. Conversion of funds held by one as agent to his own use. Merely to be short in accounts because of failure to collect notes

which the company permits one to take at his own risk, may not be embezzlement, and certainly is not if practice is known and all premiums actually collected have been accounted for.

ENDORSEMENT. A special agreement or stipulation written upon a policy or attached thereto. The conditions of life insurance policies usually provide that only the signatures of certain officers will make endorsements binding. Agents have no such authority.

ENDOWMENT. A payment to be made to one upon survival of a term of years. A simple endowment is such a payment to be made upon a definite day without regard to survival, or the accumulated value of which is to be accounted for at death. A pure endowment is a payment to be made only in event of survival, nothing being paid in event of prior death. "Endowment" is often used also as equivalent to "endowment insurance."

ENDOWMENT IN ADVANCE. A plan of installment loans, payment to cease upon death of the borrower, and otherwise to continue for a fixed number of years. The amount of the endowment is realized in advance, and the payment of the premiums—the entire payment is called the premium—is secured by real estate mortgage. The premium is really com-

posed of a premium for a like endowment insurance due at the end of the period or at prior death, and an instalment of interest upon the sum paid, treated as a loan due at the end of the period.

ENDOWMENT INSURANCE. A fixed payment to be made to one upon surviving a given period or to his beneficiary in event of his prior death.

ENTRANCE FEE. Same as "Admission Fee."

ESTIMATE. A calculation of probable results based upon assumptions not certain to be realized.

EXAMINATION. The inspection and questioning of a person whose life is proposed, by the physician employed by the company.

EXAMINER'S FEE. The fee charged by the physician for examinations. Nowadays usually paid by the company; formerly by the applicant, especially when the insurance was small. Sometimes applicant was required to pay same, and the amount was reimbursed when he accepted the policy and paid the premium. The amount of the fee ranges from 50 cents in industrial insurances to \$5.00, and even \$10.00 in certain cases.

EXECUTOR. A person appointed by will to carry out its provisions.

EXEMPT. "Exempt from seizure upon execution."

See "Creditors." "Exempt from taxation," free from taxation. Insurance policies are not taxed in most States, and the assets of life insurance companies, aside from real estate, are also generally free from taxation, though not always.

EXPECTATION OR EXPECTANCY. The average number of years which persons, starting out from a certain age, will live, assuming mortality according to a given table. Found by adding together the years that each will live and dividing by the number setting out. Not used in life insurance computations and not the same as "Probable Life."

EXPECTED LOSSES OR MORTALITY. The aggregate death losses a company would experience if deaths occurred precisely as per the table of mortality used. Sometimes, also, used to mean the aggregate "costs of insurance;" *i. e.*, total expected losses less reserves that would be released.

EXTENDED INSURANCE. A form of continuing the insurance for the original amount by applying the value or a part thereof as a single premium for temporary insurance.

EXTRA HAZARD. Risk of death beyond the ordinary. Usually applied to increased risk because of

occupation, residence or travel, and not because of impairment of health, and generally charged for by an extra premium.

EXTRA PREMIUM. A premium charged in addition to the usual premium, to cover some extra hazard assumed by the company.

FACE OF POLICY. The sum insured, without additions from bonuses or return premiums or other increments.

FAILURE TO PAY PREMIUM. Policies are rendered void by failure to pay premium promptly unless continued by "Grace," "Automatic Extension," or "Automatic Non-forfeiture." Agents are not given authority to waive payment of premium when due or to receive overdue premiums except under instructions; by assuming such authority they render themselves liable for any loss the company may suffer thereby. But usually they have the right to advance the premium for the insured, if they desire.

FARR'S MORTALITY TABLES. Three sets of tables for male and female lives, known as No. 1, No. 2 and No. 3, derived from population statistics of Great Britain, and constructed by Dr. William Farr. The No. 3 male table, with 5 per cent. interest, was the first standard in New York.

FIRST YEAR TERM. A plan of level premium insurance under which it is stipulated that the premium for the first year is wholly or in part a premium for one-year term insurance only.

FORFEITURE. The act of forfeiting. In life insurance the term signifies the loss of the value of a policy beyond the value of the insurance already enjoyed. Little is now forfeited upon discontinuance excepting the last year's surplus in nearly all companies and all surplus on deferred dividend plans.

FRATERNAL INSURANCE. Life insurance in fraternal societies, usually on the assessment plan.

FRAUD. Fraud differs from mere misrepresentation in that design must be present. It is a maxim of law that it vitiates all contracts. Whether courts will, however, on the ground of public policy, disregard an "indisputable clause," is yet to be determined.

FRAUDULENT MISREPRESENTATION. To prove that a misrepresentation is fraudulent it is necessary to show (1st) that it is untrue, (2d) that the maker knew it to be untrue, (3d) that he made it with fraudulent intent, and (4th) that it is material.

FREE TONTINE. A form of tontine life insurance under which the surplus only of lapsed policies goes to increase the profits of the persistent survivors.

FRIENDLY SOCIETIES. The term used in Great Britain to signify "mutual, coöperative, life insurance societies." It covers both "assessment insurance societies" and "fraternal insurance societies" in American parlance; but most British Friendly Societies long ago ceased to use unscientific assessment plans.

GENERAL AGENT. At law an agent with plenary powers to act for his principal. In life insurance usually applied to agents who have charge of a field or an agency, with other agents under them.

GOLD BOND. A form of insurance, the premiums and payments by the company being payable in gold, which conforms otherwise to the conditions given in defining "Bond."

GOVERNMENT ANNUITY TABLES. Mortality and annuity tables constructed from the experience of the British Government with annuitants. These tables are standard for annuities in almost all English speaking countries.

GRACE. A special condition that if a premium be not paid when due, the insurance shall continue in force during the term of grace within which time the premium, together with interest or a fine, may be paid. In most cases the forborne premium is deducted if death occurs during grace; in a few cases this is not

so. The first appearance of "Grace" was in the Deed of Settlement of the "Equitable" of London, in 1762.

GROSS PREMIUM. The entire or office premium.

GROSS VALUATION. A form of finding the reserve under which the value of future gross premiums is offset against the value of policy obligations, thus in effect assuming that there will be no expenses or contingencies to be provided for. See "Reserve."

GUARANTEED INTEREST. A promise of a definite income. Usually in the following form: After a certain period an income to the insured for a certain period, being a percentage upon the face of the policy, which is itself paid when the period expires. Sometimes an income to the beneficiary after the death of the insured, payable either for a term of years or for life, with the face of the policy payable after the period expires. When the apparent interest is higher than that assumed by the company in its computations, the excess is provided by increasing the premium, so as to make the accumulation when the income period begins, enough more than the face of the policy, to equal the present value of an annuity of the excess income. Another form of "guaranteed interest" is one by which the premium is each year diminished by the amount of interest at a certain rate

on the premiums already paid. See "Decreasing Premiums."

GUARANTY. A definite promise, not dependent upon surplus earnings. This is the usual meaning in American life insurance parlance. The primary meaning is a thing guaranteed or the language guaranteeing it.

HEALTH CERTIFICATE. See "Certificate, Health and Medical."

H^M AND H^F MORTALITY TABLES. Healthy male and healthy female mortality tables. Most commonly used as a name for the 20 British Offices' Tables; but sometimes for some of Farr's tables.

IMPAIRED LIVES. Sometimes also called "sub-standard," "underaverage," or "diseased." Accepted on endowment plans or with extra premiums or with a diminishing lien upon the policies. In other countries usually "rated up;" *i. e.*, taken as of a higher age.

IMPAIRMENT. See "Deficiency."

INCONTESTABLE. Not to be contested. See "Indisputable."

INCREASING INSURANCE. A plan of insurance where the sum payable at death is larger each year.

INCREASING PREMIUMS. A plan of insurance where the premium is larger each year, as in "natural premium" insurance.

INDISPUTABLE. Incontestable; not to be disputed or contested. Life insurance policies are very frequently indisputable by their terms after two or three years, in a few cases from their delivery. See "Fraud."

INDUSTRIAL INSURANCE. Life insurance with weekly premiums. Mainly for small amounts and upon the lives of wage-earners and their families.

INSPECTION. In "ordinary" insurance an investigation of the life and habits of an applicant. In industrial insurance a physical examination, not so exhaustive as is required for "ordinary" insurance.

INSTALMENT INSURANCE. An insurance the benefits of which are payable in instalments for a term of years.

INSTITUTE OF ACTUARIES' MORTALITY TABLES. Tables of mortality, otherwise known as H^M , H^M_5 and H^F , and as 20 British Offices' Tables, derived from the experience of 20 British companies. Standard in Great Britain and many of her colonies.

INSURABLE INTEREST. The financial interest of the beneficiary in the life of the insured. The interest of wife or husband, children, father, mother, and even more remote relatives, is generally recognized to an indefinite amount, if they pay the premiums, or, usually, for a limited amount, if the insured pays. Interest of a debtor usually confined to amount of debt, but not by all States. Law in United States mainly by decisions of judges and not statutes; in Great Britain the "Gambling Act." In United States fraternities are frequently not subject to these rules.

INSURANCE VALUE. The present value of future "costs of insurance." This was selected by Elizur Wright as a basis for his "surrender charge" to offset possible adverse selection. Such a basis was until 1900 recognized by the laws of Massachusetts.

INSURED LOANS. Loans upon real estate with life insurance policies for the amount loaned as collateral; generally endowment policies.

INTEREST. The price paid for the use of money. In life insurance computations it is assumed that the funds will earn a certain rate of interest. State standards have varied from $3\frac{1}{2}$ per cent., the rate now used by Massachusetts, to 4 per cent., in very common use, $4\frac{1}{2}$ per cent. long the standard in New York, and

still in some other States, and even 5 per cent., the first standard in New York.

INTERMEDIATE. A plan of level premium insurance for \$500, without so exacting an examination as for "ordinary;" sold by industrial companies.

JOINT LIFE ANNUITY. An annuity which is payable until any one of two or more given lives fail. See "Annuity."

JOINT LIFE INSURANCE. An insurance which is payable upon the failure of any one of two or more given lives. See "Partnership Insurance."

LAPSE. The determination of an insurance through failure to maintain the same by the payment of premiums.

LAPSE PROFITS. The gains to persistent policyholders by the division among them of the forfeited value, including surplus, of lapsed policies. An important element of "tontine" profits.

LAPSED POLICY. One which has ceased to be in force because not maintained by the payment of premiums.

LEGAL RESERVE. The reinsurance reserve required by law to be maintained by a life insurance company.

LEGAL RESERVE COMPANIES. Companies which are incorporated and operating under laws which require a mathematically sufficient reserve to be maintained.

LEVEL PREMIUM. A premium which does not vary during the term for which it is payable.

LEVEL PREMIUM COMPANIES. Literally companies which charge level premiums only, as distinguished from those which charge increasing or decreasing premiums; but used commonly as equivalent to "legal reserve companies."

LIEN PLAN. A plan of insurance for impaired lives or for substitution for assessment policies where a lien is charged against the sum payable at death in one case and against all proceeds of the policy in the other. In impaired life insurance the lien is merely a way of making the insurance less than the face of the policy. In substitutions it is equivalent to a loan of the reserve value.

LIMITED PAYMENT OR PREMIUM PLAN. The limited payment or premium plan of insurance is one where the term of premium payment is shorter than the complete term of the insurance.

LIMITED TONTINE. A form of insurance with ton-

tine dividend where the surplus only is forfeited upon surrender.

LOADING. An amount added to a net premium to make the office or gross premium. It is considered a provision for expenses and contingencies.

LOAN NOTE PLAN. A plan, at one time very popular in the United States, by which part of the premium was payable by giving an interest-bearing note, the annual dividends being applied to reduce the indebtedness.

LOST POLICY. When a life insurance policy is lost it is rare that companies will issue a duplicate. If the insured dies and the policy cannot be found, the amount of it is usually paid to the beneficiary without question, but a bond to protect the company is often required.

MEAN ASSETS. Average assets for the year, usually approximated by adding the assets at the beginning of the year and at the end of the year and dividing by two.

MEAN AMOUNT OF INSURANCE IN FORCE.
Average amount in force during the year.

MEAN RESERVE. The reserve on the assumption that the policies are on the average six months past

their anniversaries. The mean reserve is approximated by adding the initial reserve (the last terminal reserve plus the net premium) to the terminal reserve for the year and dividing by two. Also called "mid-year" reserve; "mid-month" reserve is also known as "mean."

MEAN VALUATION. The process of finding the aggregate mean reserve.

MEECH'S TABLE OF MORTALITY. A table of mortality constructed from the combined experience of 30 American companies. Little used and nowhere adopted as a standard.

MID-YEAR RESERVE. See "Mean Reserve."

MID-MONTH RESERVE. See "Monthly Reserve."

MINOR CHILDREN. Policies in favor of minor children cannot be assigned or surrendered for cash or be loaned against unless control over such privileges has been definitely reserved to the insured.

MISREPRESENTATION. A misstatement, a representation that facts are other than they really are. Unless statements are made warranties, misrepresentations in the application will not render an insurance void unless the same are fraudulent. See "Fraudulent Misrepresentation."

MIXED COMPANY. A stock life insurance company issuing participating policies wholly or in part, and sometimes also admitting policyholders to a part in the management.

MONTHLY PREMIUM. A premium which is paid each month.

MONTHLY RESERVE. The reserve up to the middle of the month in the policy year—a close approximation to the reserve on the day of valuation. See “Mean Reserve.”

MONTHLY VALUATION. A valuation to find the aggregate monthly reserve.

MORTALITY GAIN. Salvage upon the death losses expected according to the table.

MORTALITY TABLE. A table showing the number of persons out of an original group at a certain age which die in each year thereafter until all the lives fail.

MORTUARY DIVIDEND. Another name for “return premium” benefit.

MORTUARY LOSSES. Death losses.

MUTUAL POLICY. A policy which participates in the earnings of the company; a participating policy.

NATURAL PREMIUM. A one-year term premium or a premium for a term of less than one year. Usually renewable without re-examination.

NATURAL PREMIUM PLAN. A plan of life insurance by which one pays for the insurance which he currently enjoys; *i. e.*, at one-year term rates, with the privilege of renewal indefinitely.

NET PREMIUM. The premium which, according to the standard of mortality and interest adopted, will just enable the company to discharge its obligations under the policy, without considering expenses or contingencies not embraced in the standards assumed.

NET RESERVE OR NET PREMIUM RESERVE. The reserve on the basis that net premiums only will be available, together with the reserve, to discharge the obligations under the policy. It is thus tacitly assumed that the loading will be needed to cover expenses and contingencies. Also called "Net Value." See "Gross Valuation."

NET VALUATION. The process of finding the aggregate net reserve; usually the mid-year reserve, but sometimes a monthly and in industrial insurance most frequently a terminal.

NET VALUE. See "Net Reserve."

"NEW LINE." An euphemism for "assessment."

NOMINEE. A word recently brought into use to signify a beneficiary whom the insured may dismiss for another at will.

NON-FORFEITABLE OR NON-FORFEITING. Not subject to be forfeited by failure to pay premiums. Frequently used to mean with automatic extension feature or merely with paid-up values.

NON-PARTICIPATING. Not entitled to any share in the profits. The word "stock" is sometimes used as an equivalent.

NORTHAMPTON TABLE OF MORTALITY. A table of mortality, long the standard in Great Britain, constructed by Dr. Richard Price from mortality statistics of Northampton, England, and first used by the Equitable of London. The courts of the United States in many cases still use the table to value life interests.

NOTICE. The laws of several States provide specifically for notice of premiums due before a policy can be lapsed for non-payment of premium.

OCCUPATION. Persons engaged in certain dangerous or unwholesome occupations are usually not accepted for insurance excepting at an extra premium.

To engage in such occupations within the earlier years of the insurance usually renders it void.

"OLD LINE." A name given to "legal reserve" companies to distinguish them from assessment societies.

OPTIONS. Rights of choice. Usually several options of settlement upon surrender are offered and especially at the close of deferred dividend periods.

ORDINARY BUSINESS. Life insurances for \$500 or more, with premiums usually payable not more frequently than quarterly. Used to distinguish from industrial.

ORDINARY LIFE. A plan of insurance for the whole term of life, with level premiums payable throughout life.

PAID-UP INSURANCE. Insurance for which no further premiums are payable.

PARTICIPATING. Entitled to a share of the profits of the company.

PARTNERSHIP INSURANCE. A form of insurance upon the lives of two or more business associates in favor of the firm or company, payable upon the demise of the first life that fails. See "Joint Life Insurance."

PAYING INTO COURT. When there is a dispute between persons who claim under a policy, it is customary for a life insurance company, when not disputing its liability, to pay the sum into court, to be disbursed as the court decides, and thus escape costs.

PERMIT. The waiver of a restriction in the policy.

PERPETUITY. An annuity to be paid perpetually.

POLICY. The contract of insurance. In form, a contingent promise to pay, for a consideration called the premium.

POLICY LOANS. Loans upon the security of a life insurance policy.

POSTPONED. The acceptance of an application deferred.

PREMIUM. The consideration or price paid for insurance.

PREMIUM NOTE. A note given in partial payment of a premium.

PRIVILEGES. Special concessions.

PROBABLE LIFE. The period which one has an even chance to live, according to some mortality

table; found by observing how soon the number living at one's age is reduced by one-half.

PROOF OF GOOD HEALTH. Either a "Health Certificate" or a "Medical Certificate." See both under head of "Certificate." Usually a condition precedent to reinstatement.

PROOFS OF LOSS. Attested evidence that the insured has died, identifying him and showing the time, place and cause of death.

PROPOSAL. The word used in Great Britain instead of "application."

PROSPECTIVE METHOD. The method of computing a reserve by computing the total present value of the company's obligations and deducting the present value of premiums yet to be paid.

PROVISIONS. The conditions, restrictions and privileges of a policy.

QUARTERLY PREMIUM. A premium which is paid every three months; usually, however, merely an instalment of an annual premium, the remainder of which is deducted from the face of the policy in event of death.

RATE. The amount of premium (per \$1,000 usually) at a given age on a given plan.

RATING UP. Accepting an impaired life at an age higher than the real.

RATIOS. The proportions of things to one another, usually for purposes of comparison. Frequently very misleading.

REBATE. An amount paid back to the insured by an agent or company, out of premiums paid by him and not as a dividend, called for by the policy. Prohibited in most States by "Anti-Discrimination Statutes."

REFEREE. One to whom a dispute is referred for decision.

REGULAR. A name for companies, borrowed from the terms of the medical profession; equivalent to "legal reserve" and "old line."

REINSTATEMENT. The process of restoring one's insurance after the same has lapsed or forfeited.

REJECTED. Declined; refused insurance.

RELEASE. An instrument, surrendering a policy and releasing the company from liability thereunder.

RENEWABLE TERM. Term insurance, with the privilege of renewing for succeeding terms without proof of good health.

RENEWAL COMMISSION. Commissions payable when renewal premiums are collected.

RENEWAL PREMIUM. A premium paid to continue an insurance after its first year.

RENEWAL RECEIPT. A receipt for renewal or deferred premiums, signed by officers of the company and countersigned by the agent.

REINSURANCE RESERVE. A reserve of an amount deemed sufficient to reinsure.

REPRESENTATIONS. Statements made, usually in the application, to procure insurance.

RESERVE. A sum held in reserve. In life insurance often used for "reinsurance" or "unearned premium" reserve. The reserve, thus considered, must be a sum which, together with future premiums, will, according to the standards of interest and mortality employed, be sufficient to enable a company to discharge its policy obligations. If gross premiums are taken into account, the valuation is called "gross." If net premiums only are considered, the valuation is called "net." Sometimes the valuation is called "modified gross" or "modified net," a deduction being made from the gross premiums for expenses, which still leaves them larger than the net premiums.

RESIDENCE. Frequently restrictions are placed upon residence in torrid or frigid climates. Usually removed after two or three years. Some companies impose no restrictions.

RETROSPECTIVE METHOD. A method of determining the amount of a net reserve by accumulating the net premiums and deducting the "costs of insurance;" it gives just the same result as the prospective method if the net premiums are precisely adequate.

RETURN PREMIUM. A plan of insurance under which the amount of premiums paid is added to the face of the policy and is paid with it in event of the death of the insured. Such policies are sometimes, but rarely, with return of premiums if death occurs at any time; but more frequently premiums are only returned if death occurs during a limited period, as 10, 15 or 20 years. Sometimes, also, only a part of the premiums, as one-half, is returnable.

REVERSIONS. Paid-up additions to the amount insured, by means of dividends.

REVERSIONARY ADDITIONS, DIVIDENDS OR BONUSES. Same as "Reversions."

RISK. The probability of loss; the life insured.

SAFETY CLAUSE. A provision that in event of impairment of the reserve the insured shall make the impairment good, either by scaling his policy, by letting the deficiency remain as a lien thereon with interest, by increasing subsequent premiums by an annuity equivalent to the deficiency or by paying off the same.

SALARY. In ordinary insurance sometimes erroneously used to signify regular weekly or monthly advances against commissions. In industrial insurance "ordinary salary" means "renewal commissions" and "special salary" means "first year's commissions."

SALVAGE ON LOADING. The portion of the aggregate loading not required for expenses and contingencies.

SALVAGE ON MORTALITY. The portion of the "costs of insurance" not required to meet actual death losses. See "Mortality Gain."

SEAL. In former days life insurance policies were "under seal," the effect of which is that the instrument must be construed by reference to its own language and to other written instruments, "parol" or verbal evidence being excluded.

SELECTED LIFE TABLE. A table of mortality showing the death rates upon persons insured one, two, three, four, five and more than five years separately.

SELECTION. The process of choosing good lives by examinations; also "adverse," the process of deterioration of average life by withdrawals of healthy lives.

SELF-INSURANCE. A term meaning the "terminal reserve," coined by Elizur Wright to express the idea that the insured contributed so much toward meeting his own death claim.

SEMI-ANNUAL PREMIUM. A premium which is payable every six months; usually an instalment of the annual premium, the remainder being deducted from the claim if death occurs before it is paid.

SEMI-TONTINE. A tontine insurance where only the surplus is forfeited upon discontinuance.

SEVENTEEN OFFICES' MORTALITY TABLE. Another name for the "Actuaries' Table."

SINGLE PREMIUM. One premium payable in advance, no further premiums being required.

SPECIAL AGENT. At law an agent with only special, as distinguished from general, powers. In life insurance, a common name for a soliciting agent.

STAMP. A method of taxing life insurance companies. It is provided that the instrument shall not be valid unless so stamped. Usually the cost of the stamp is borne by the company, but sometimes by the insured.

STARRED. Marked with a star. This usually signifies that the life is no longer desirable, and that no unusual concessions concerning payment of premium after due are to be granted.

STATE STANDARD. The mortality table and interest adopted by the State in determining reserve liability.

STEP-RATE. Another name for "natural premium;" so called because the premiums increase each year.

STIPULATED PREMIUM COMPANIES AND PLAN. "Stipulated premium" is the name given to a modified assessment plan where a premium, intended to be level, is charged, but the right to assess is reserved, and there is not ordinarily held, as a liability, a mathematical reserve equal to that required of regular companies on similar level premium policies.

STOCK COMPANY. A life insurance company with capital stock.

STOCK PLAN. A non-participating plan.

STOCK POLICY. A non-participating policy.

SUB-STANDARD. Below the standard requirements for first-class lives; "underaverage," "impaired," "diseased."

SUICIDE. At law, the death of a man in the possession of his senses, by his own act. Self-destruction, whether sane or insane, is usually not covered during the first two or three years. Suicide which is proved to be with the intent to defraud the company, would probably avoid any policy.

SUPERINTENDENT OF INSURANCE. The chief supervising insurance officer of a State. See "Commissioner of Insurance."

SURPLUS. The excess of a company's funds over all liabilities. The amount which is available for dividends.

SURRENDER. A release, for a consideration, of a policy to the company, usually together with its actual return.

SURRENDER CHARGE. A sum deducted in fixing the surrender value as a charge, from the reserve value and the declared surplus of a policy offered for surrender.

SURRENDER VALUE. The consideration in cash, paid-up insurance, extended insurance or annuity, for the surrender of a policy of insurance. Often one of such values applies, however, at once upon discontinuance, without actual surrender being required.

SURVIVORSHIP ANNUITY. An annuity payable to one or more persons if he or they survive one or more other persons, and as long as they do survive.

SURVIVORSHIP INSURANCE. An insurance upon the life of one person, payable upon his death to a beneficiary, provided the beneficiary be then living.

TAX. Money collected for governmental uses. The property of life insurance companies, other than real, is frequently exempt from taxation; but there is usually a tax upon their premiums. There are other taxes also in the form of license and other fees. The national government at present imposes a stamp tax.

TEMPORARY ADDITIONS. Additions to the sum insured, provided death occurs within one year, purchased by dividends.

TEMPORARY INSURANCE. Insurance payable only if death occurs during a limited term, as distinguished from whole life and endowment insurance.

TERMINAL RESERVE. The reserve at the end of a policy year.

TERM INSURANCE. "Temporary insurance."

TERM INSURANCE, FIRST YEAR. A device making the first premiums upon a policy for a longer period apply wholly or in part to pay for insurance for one year only, the option of renewing as a policy of the desired kind being granted. See "First Year Term."

TERM PREMIUM. A premium for term insurance.

THIRTY AMERICAN OFFICES' TABLE. See "Meech's Table."

TWENTY BRITISH OFFICES' TABLE. See "Institute of Actuaries' Table."

TONTINE. A plan of accumulation by which the sum accumulated is divided only among the survivors. In life insurance a plan under which those who discontinue forfeit all interest and the gains from such forfeitures go to increase the dividends of those who persist and survive the tontine period.

UNDERAVERAGE. Not up to the standard of a first-class life; "sub-standard," "impaired," "diseased."

UNDERWRITER. One who becomes responsible as an insurer. Often also used to mean one who is engaged in the insurance business as an officer, manager or agent.

UNEARNED PREMIUM RESERVE. An expression for "reserve," based upon the retrospective idea that enough has been accumulated out of past premiums, which has not been earned or needed to pay the mortuary cost in the past, to make good the needed "reserve."

VALUATION. The process of finding the aggregate reserve of a company or of a part of its policy obligations.

VALUE. Reserve.

VOID. Not in force.

WAIVER. Consent that a provision or restriction shall not apply. Only officers of the company generally have power to waive conditions of policies.

WARRANTY. A statement or promise as a consideration for a policy, the strict and literal truth or performance of which is guaranteed. If the thing guaranteed be not true in any respect, or be not performed, the contract is void, without its being neces-

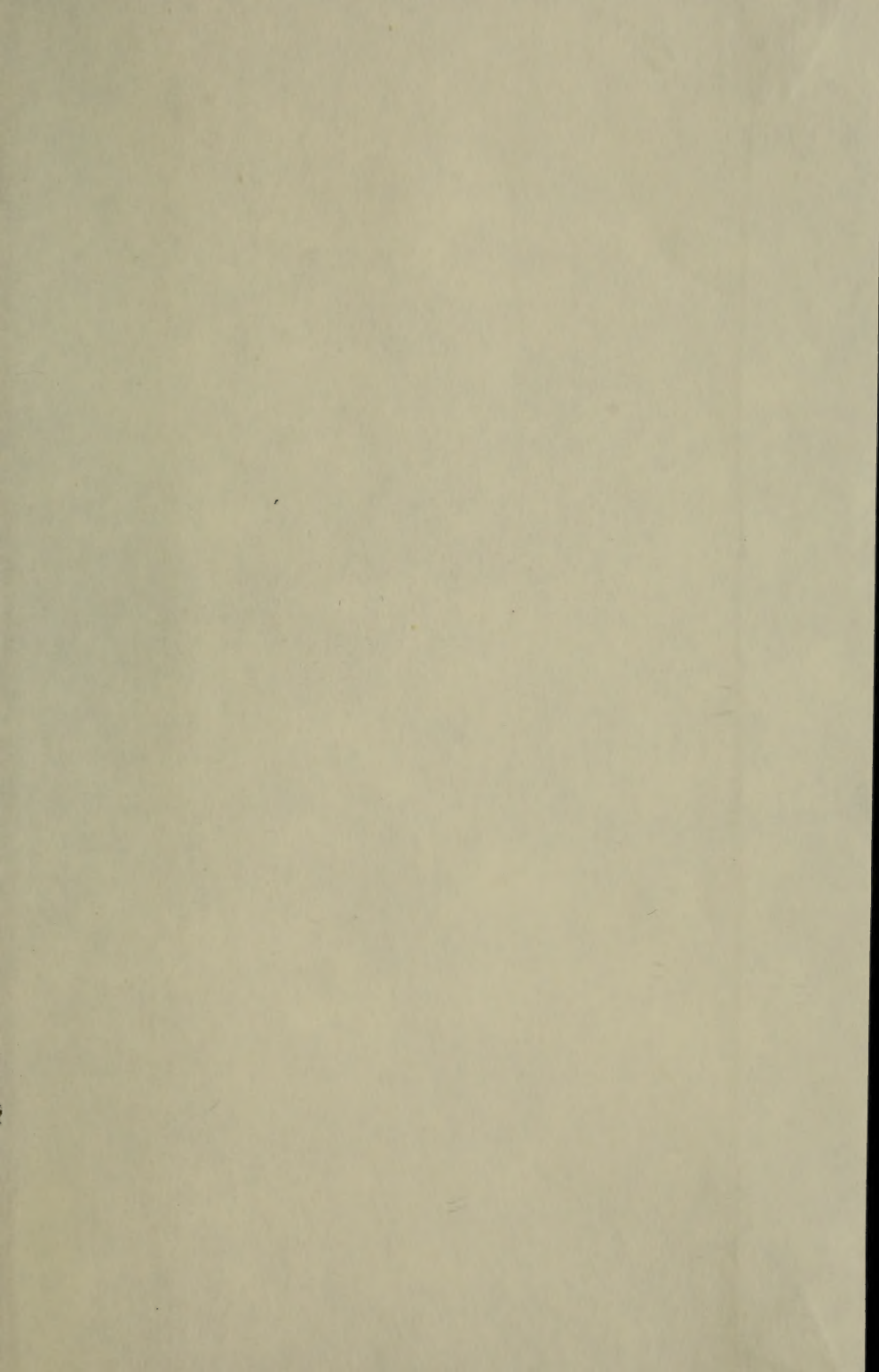
sary to prove that the misstatement was material or the failure in performance important. The "incontestable" clause neutralizes the warranty when it comes into effect.

WEEKLY PREMIUM. A premium which is payable every week. Used in industrial insurance. Unlike monthly, quarterly and semi-annual premiums, it is usually not a mere instalment of the annual premium and the unpaid portion of the annual premium is not deducted from the death claim.

WHOLE LIFE. A policy for the entire period of life, with premiums payable throughout life. See "Ordinary Life."

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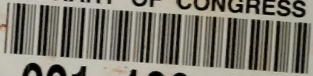
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